

**DR RUTH SEGOMOTSI MOMPATI  
DISTRICT MUNICIPALITY  
(DC39)**



**ANNUAL REPORT  
2021-2022**

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## REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. This template provides an update to the MFMA Circular No. 11, issued in January 2005.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non-financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others. Notes are included throughout the format to assist the compiler to understand the various information requirements.

The financial years contained in this template are explained as follows:

- Year -1: The previous financial year;
- Year 0: The financial year of reporting;
- Year 1: The following year, mostly requires future targets; and
- The other financial years will follow a similar sequence as explained above.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

MFMA Implementation Unit, National Treasury

## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR’S FOREWORD

It is a great honour and privilege to present the Annual Report of the Dr Ruth Segomotsi Mompati District Municipality.

Our projects and programmes, as outlined in this Annual Report, are a direct response to our constitutional mandate. We have made significant progress towards improving democracy and accountability; ensuring provision of services in a sustainable manner; promotion of social and economic development; promotion of a safe and healthy environment; and involving our communities and community organisations in matters of local government.

This report confirms that we are continuing to improve democratisation and transformation of local government; improve access to electricity, water; flush/chemical toilets, and refuse removal, notwithstanding the inherent challenges bequeathed by our abhorrent past. There are historic and current challenges such as ageing infrastructure, theft and vandalism of infrastructure; lack of sufficient and reliable water sources; lack of land for proper residential and economic activities; and the infrastructure that was designed to service the privileged few. We are preoccupied with finding solutions to these and other challenges, current and prospective water supply projects, which are anticipated for completion by the end of 2022/2023. The need for the redistribution of land to unlock the economic potential of all South Africans and to achieve our vouched radical socio-economic transformation cannot be deferred any further.

Our forward planning initiatives have ensured that, as at the end of the financial year, we had strived to spent all our infra- structure development grants. It could not happen without the cooperation and collaboration of our communities and contractors. When projects are completed on time, we all win. The centrality of infrastructure to the development of the economy and the resultant effect on the triple challenges of unemployment, poverty and inequality, is common cause. We appeal to our communities to preserve every piece of the infrastructure they have. No matter the frustration, we should never find any excuse to destroy one infrastructure to get the other. We should disabuse ourselves of the narrative that suggests that infrastructure belongs to the government. All infrastructure is owned by the people and it is for the public good. In the context of the District Developmental Model, every individual, government and private is expected to rise up to protect the gains of our democracy. We are a people founded on the supremacy of the Constitution and the rule of law.

In addition, I am proud to say that we have begun to implement the District Developmental Model as announced by the Honourable President Ramaposa, Cyril during his October 2019 Budget Speech. The President identified that there exists a challenge namely the “pattern of operating in silos” which often leads “to lack of coherence in planning by the State. This state of affairs has negative implications on implementation, monitoring and oversight of government programmes. In order to address this challenge, the District Development Model has been designated into the space.

It has been directed that the District Development Model gives opportunities to strengthen IGR mechanism by ensuring all three spheres of government work jointly, plan together and act in one compact force to push the frontiers of poverty backward and accelerate service delivery at the municipal doorstep. Thus, this model is seen as the joint and collaborative planning that will culminate in having a single strategically focused Joined-Up plan (One Plan) from the focal point of the District Municipality.

The Dr Ruth Segomotsi Mompati district is proud to say that we have managed to complete the District Developmental profiling as per request of National and Provincial Government. Together we have

managed to begin to chart the district developmental model in a path that includes working together through strengthening our relationships and understanding the common cause.

It is prudent during this time that we also reflect on the COVID-19 pandemic and the impact it has had on lives and livelihoods across the globe and within the Dr Ruth Segomotsi Mompati community. The COVID-19 pandemic has affected the plans and programmes of the Municipality. However, we remain committed to ensuring improvement on service delivery particularly in relation to water and sanitation.

The District Municipality has established the District Command Council (DCC) which is chaired by the Executive Mayor. The purpose of the DCC is to co-ordinate government's efforts in response to the COVID-19 pandemic within the District.

The DCC discussed key service delivery issues afflicting the local communities such as uninterrupted supply of water, attending to sewer spillages and the district municipality supported by Sedibeng Water Board agreed to improve supply and access to hotspot area through water tanks, provision of JoJo tanks and waste removal. In order to continue with the measures geared to 'flatten the curve' of the pandemic, the District Municipality has also contributed to the effort by distributing hand sanitizers, surface disinfectants and hand gloves to community members within the District.

The Municipality as a Water Services Authority will continuously strive to archiving equitable and sustainable delivery of water and sanitation services to all its residents along with providing initiatives that seek to re-stimulate the District economy.

We are indebted to our vigilant communities and all the Municipality's oversight structures such as the Council; Portfolio Committees; Municipal Public accounts Committee; our principal advisory committee, the Audit Committee; and our supporting sector Departments in the Provincial and National spheres of our government.

May I take this opportunity to thank all the role players as well as our municipal officials for their unwavering determination and hard work.

We should and will approach 2022/2023 in high spirit and determination as we have to deliver services to our people.

As we move forward, we shall endeavor to implement the IDP is in line with the NOP vision focusing on rural development, but mainly addressing inequality, poverty and unemployment which are the triple challenges facing our country to date.



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CLLR M A MAJE  
EXECUTIVE MAYOR

## The Office of the Speaker

The Office of the Speaker encourages participation of the community and community organisations in the local government matters and to adhere to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration through,

The preparation and review of the Integrated Development Plan  
The Oversight report that has to be approved or adopted by the public  
Monitoring and review of the performance, including the outcomes and impact of such performance and preparation of the municipal budget.

Public participation also helps to build informed and responsible communities with a sense of belonging to the current government and also the developments of projects. It allows municipalities to get buy-in and to develop partnerships with stakeholders

### **SPEAKER OF DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**



**Cllr. K. Sereko:  
Council Speaker**

The functions of the Speaker are set out in sec 37 of the Municipal Structure Act as follows:

- Presides at the meetings.
- Performs the duties and exercise the powers delegated to the speaker by the council.
- Must ensure the council meets at least quarterly.
- Must maintain order during council meetings.

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

The District Municipality, an organization that prides itself as the home of excellence and opportunities for all. Indeed, it is. The Municipality has excelled in the manner in which it has set out systems to achieve its constitutional objectives and functions as spelt out in sections 156 and 229 of the Constitution of the Republic of South Africa, 1996. We have our work cut out to take this excellence to the next level. We are cognisant of the challenges that need to be confronted if we are to add more quality and sustainability to every service we are enjoined to provide, and to serve the population of our District.

Our priorities are to perfect our systems and professionalize our workforce. We need systems that improve our turn - around time for every service we render; systems that promote openness and transparency; and systems that give us value for money. We are committing ourselves to live by, and instill a professional culture in the Municipality by recognizing and rewarding good performance; becoming intolerant of mediocrity; to be open-minded; never to act unprofessionally; never to discriminate; to encourage and support open and effective communication; and to support team- work, collaboration and knowledge sharing.

In May 2022, the council adopted the 2022/2027 IDP & MTREF Budget, followed by the approval of the SDBIP by the Executive Mayor. The Council adopted the IDP/Budget Process in August 2022 which detailed how it will embark on the review process for on-coming 2022/2023 Financial Year.

The 2021/2022 IDP & MTREF Budget have been implemented against the backdrop of serious administrative and financial challenges experienced, namely the prolonged suspension of the Municipal Manager, absence of the substantive CFO, resignations of Senior Managers at critical times, non-approval of the conditional grants roll- overs, the withholding of equitable share and grants. However, these were later resolved after engaging our stakeholders, being COGTA, National and Provincial Treasuries.

During the 2021-2022 financial year administratively, we have managed to fill some critical vacant posts including that of the CFO and Senior Manager Community Services. In addition, all other Senior Posts were advertised and are at shortlisting in terms of the HR processes. We have managed to retain a qualified audit opinion mainly due to the fact that critical posts were not filled and consequences not managed. We believe we are now making strides in this arena and hope to prosper going forward in all areas of the organisation.

We are concerned by our grant dependency status, Sedibeng water account and the fact that we have not signed SLAs with Local Municipalities as detailed in this report. We have a duty to do so. Members of the public also have a legal duty to pay for the municipal services they consume. We are also in consultation with our National and Provincial Treasury Departments to explore other available revenue sources so we can respond to identified needs and go even further than the limit of the Division of Revenue Act (DORA) allocation.

In conclusion, there needs to be consistency in improving our Qualified Audit outcome obtained in the Auditor General of South Africa (AGSA) report for the financial year under review. This calls for serious internal controls and consequence management to be implemented where needs be as to ensure Accountability and responsibility as custodians of public funds.



MR-IR JONAS

MUNICIPAL MANAGER (ACCOUNTING OFFICER)

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Section 83 (1) states that: A Municipality has the functions and powers assigned to it in terms of sections 156 and 229 of the Constitutions.

Section 83(3) of the Structures Act describes the developmental mandate of District Municipalities, in terms of four aspects:

- (1) Ensuring district-wide integrated development planning;
- (2) Providing district-wide bulk services,
- (3) Building the capacity of local municipalities, and
- (4) Promoting the equitable distribution of resources between Local Municipalities.

Powers and functions as included in IDP

Function	Definition of function
Integrated Development Planning (IDP)	Integrated Development planning for the District as a whole, including a framework for IDPs of all municipalities in the area of District Municipalities
Municipal roads and Storm water	Municipal Roads which forms an integral part of a road transport system for the area of the district municipality as a whole.
Regulation of passenger transport services	Regulation of passenger transport services
Municipal airport	Municipal airports serving the area of the district municipality as a whole
Municipal health services	Municipal Health Services
Water (Bulk & Potable)	Establishment or procurement, operation, management, and regulation of a potable water system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution
Fire Fighting Services	<ol style="list-style-type: none"> <li>1) Planning; Coordination and regulation of fire services;</li> <li>2) Specialised firefighting services;</li> <li>3) coordination of the standardisation of infrastructure, vehicles, equipment and procedures</li> <li>(iv) training of fire officers.</li> </ol>
Bulk Supply of Electricity	The transmission, distribution, and where applicable, the generation
Abattoirs	The establishment, conduct & control of fresh produce markets and abattoirs serving the area of a major proportion of the municipalities in the District.
Cemeteries and Crematoria	The establishment, conduct and control of cemeteries and crematoria serving the area of a major proportion of municipalities in the District.



Function	Definition of function
Sanitation	Establishment or procurement, where appropriate, provision, operation, management, maintenance and regulation of a system, including infrastructure for the collection, removal and disposal or purification of human excreta and domestic waste-water.
Solid waste disposal sites	In so far as it relates to 1) The determination of waste disposal strategy 2) Regulation of waste disposal 3) The establishment, operation and control of waste disposal sites, bulk waste transfer facility for more than one local municipality in the district
Local Tourism	Promotion of Local Tourism for the area of the District Municipality
Municipal Public Works	Municipal Public Works relating to any of the above functions or any other functions assigned to the District Municipality
Grants	The receipt allocation and, if applicable, the distribution of Grants made to the District Municipality
Taxes & Levies	The imposition of taxes and levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

## **Introduction to background data**

The vision of the Dr. Ruth S. Mompati District Municipality is “Developmental district, where sustainable service delivery is prioritised and realised”. This vision is supported by the deliverables of the DRSM DM Integrated Development Plan. Which seeks to align and integrate with policies at the national and provincial level as well as with other spheres of government through the following key performance areas: Municipal transformation and institutional development; Basic Services and infrastructure development; Local Economic development; Financial Management and Viability; Good governance and community participation.

Each priority is supported by strategic objectives that address developmental challenges and provide actions to successfully achieve the goals identified in the key performance areas for the District.

These include:

- Corporate services and administration: including recruiting, selecting and retaining skilled personnel, provision of good governance and ensuring the alignment of the municipal structure to the IDP;
- Basic services and infrastructure: Provision of Water to communities, provision of sanitation to communities, and develop a sustainable roads management plan;
- Local Economic Development: Build cohesive and sustainable communities for economic development and growth, create decent work and sustainable livelihoods.

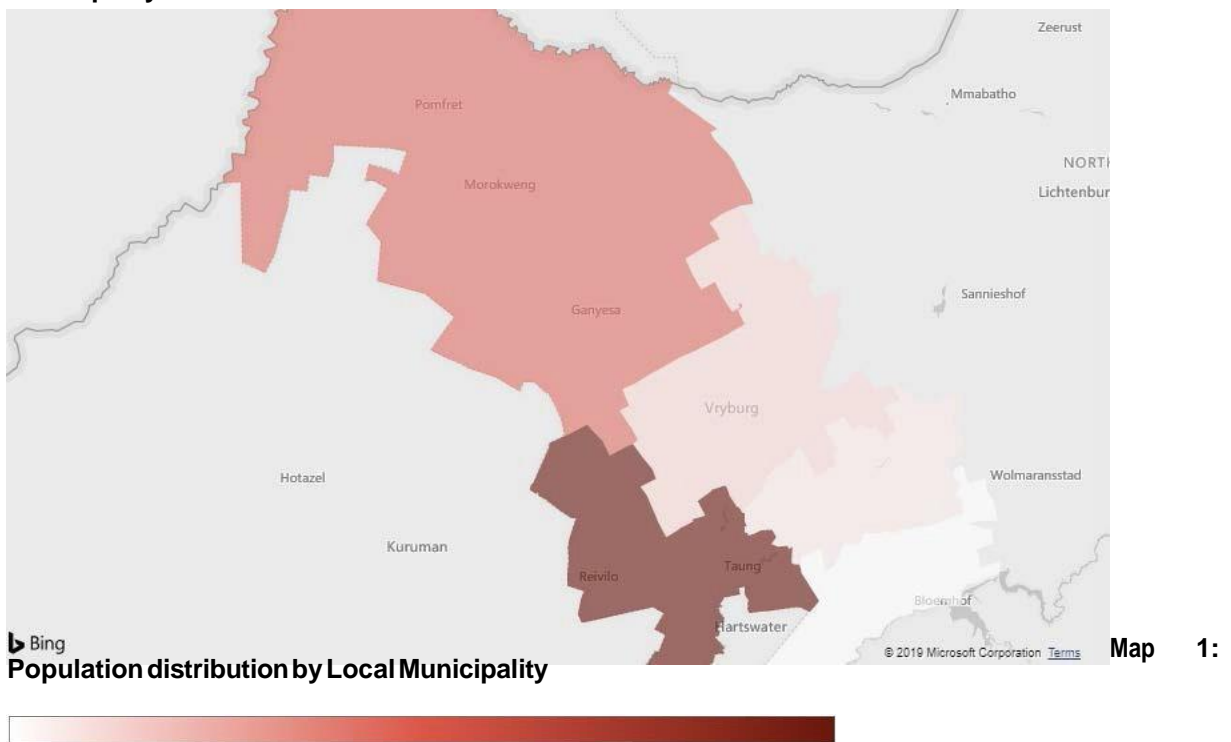
The Dr. Ruth S. Mompati District IDP acts as a broad business plan for the district, and aims to tackle the challenges of poor infrastructure, high unemployment, poverty, provision of education, minimal access to water and sanitation, and the structure of the local economy amongst other challenges that it faces. Emphasis will be put on projects linked to budgets that support the objectives and priorities it outlines.

## **Demographic Profile**

Over a five-year period, the population of the District declined from 463,815 in 2011 to 455,713 in 2016. Some of the primary reasons put forward by persons leaving the District was to pursue economic opportunities in other Districts or provinces. This may have an adverse impact on local economic development as it may result in a shortage of locally available skills as well as the much-needed investment for economic growth and development.

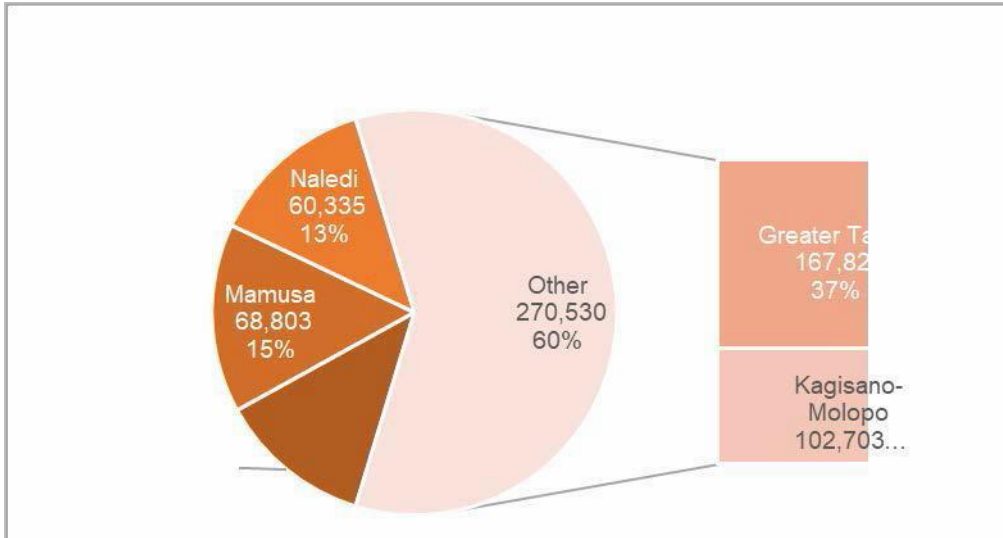
Through the implementation of local economic development initiatives, the District must seek to retain the currently available skills and resources as well as to attract an inflow of capacity, skills and resources from other districts, provinces as well as outside the county.

**The following map is an illustration to the population distribution of the District, by local municipality:**



As illustrated above and in the chart that follows, most of the people in the District live in the Greater Taung and Kagisano-Molopo areas. These areas are predominantly rural hence the District is classified as predominantly rural, particularly if compared to neighbouring districts such as Dr Kenneth Kaunda and the Ngaka Modiri Molema district municipalities. Hence it is important for rural economic development to be considered when developing a strategy to address challenges relating to economic development and growth.

The following chart is an illustration to the population size of the District, per local municipality:



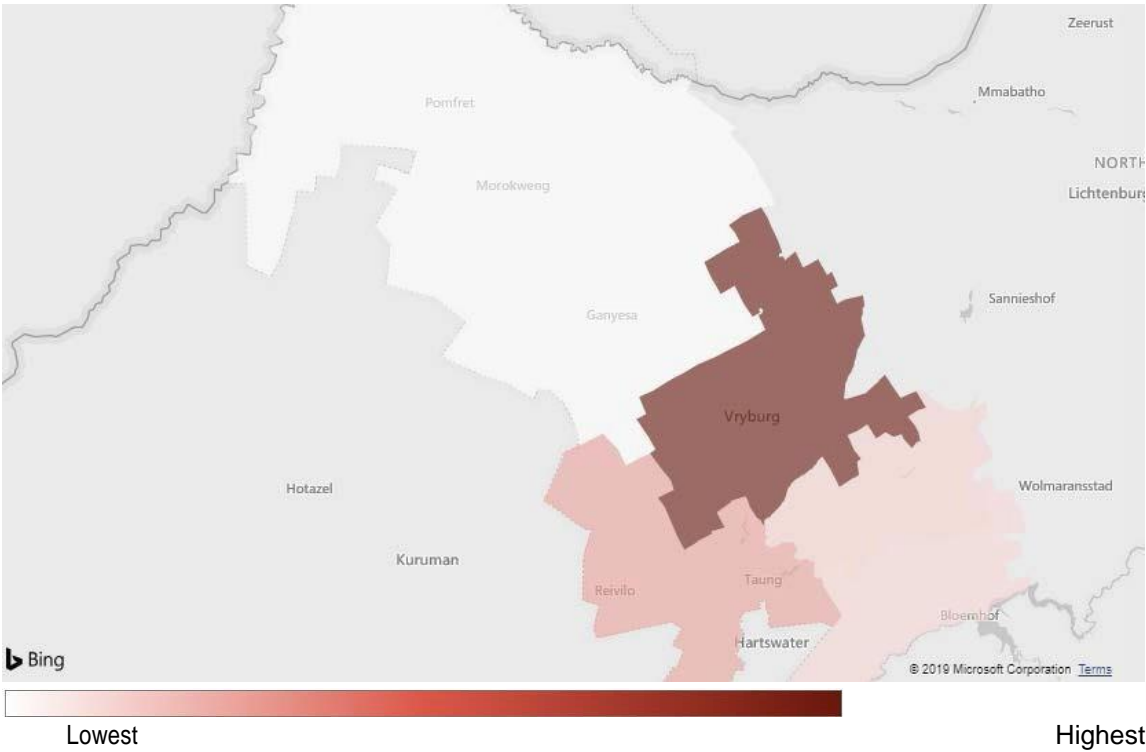
Source: Community Survey: 2016

### Population Density

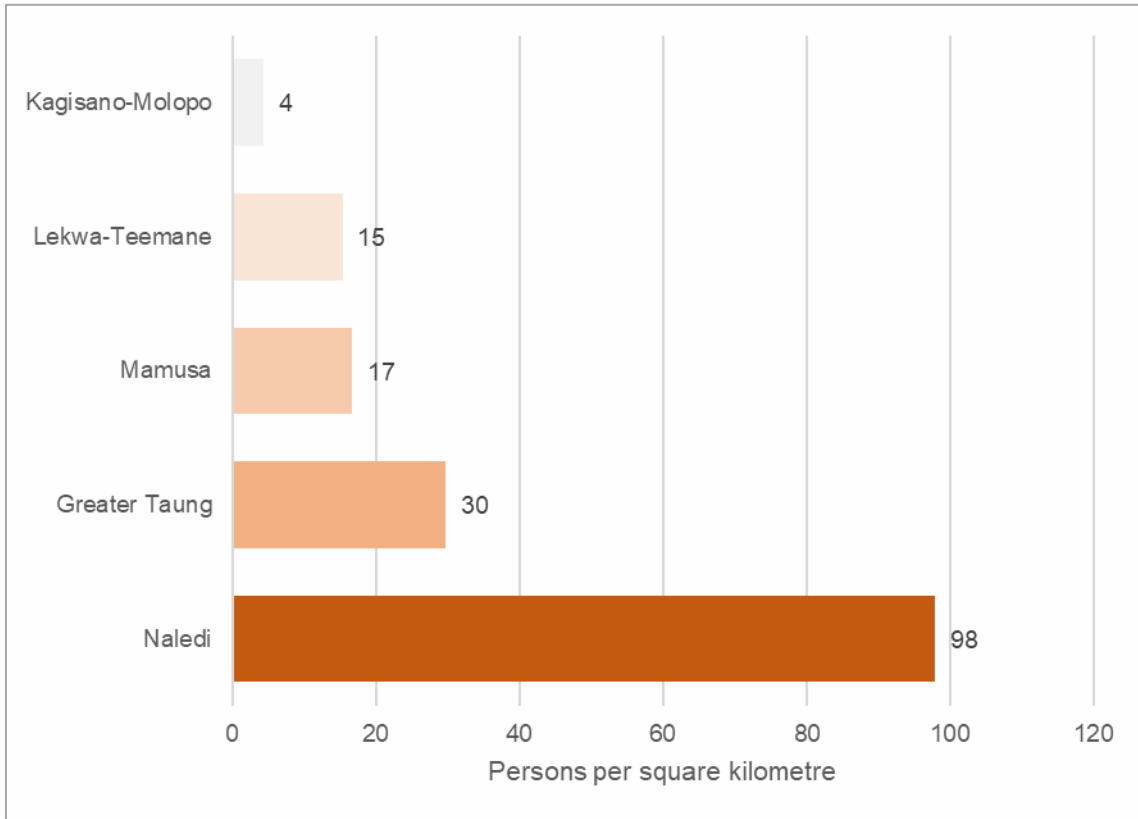
Over a 5 year period, the District's population density has declined from 13 persons per square kilometre in 2011 to 12 persons per square kilometre in 2016. This is indicative of a declining population growth rate. The negative growth rate is potentially driven by a lack of access to economic opportunities, as previously discussed, as well as access to institutions of higher learning such as university access since the nearest universities are located in Mahikeng, Potchefstroom and Kimberly. Naledi has the highest population density in the District and this is indicative of its higher levels of urbanisation if compared to Kagisano-Molopo which has the lowest population density and is predominantly rural.

The following map is an illustration of the population density distribution of the District per local municipality, whereas the chart thereafter shows the population density per local municipality:

**Map 2: Population density distribution by Local Municipality**



Source: Community Survey: 2016



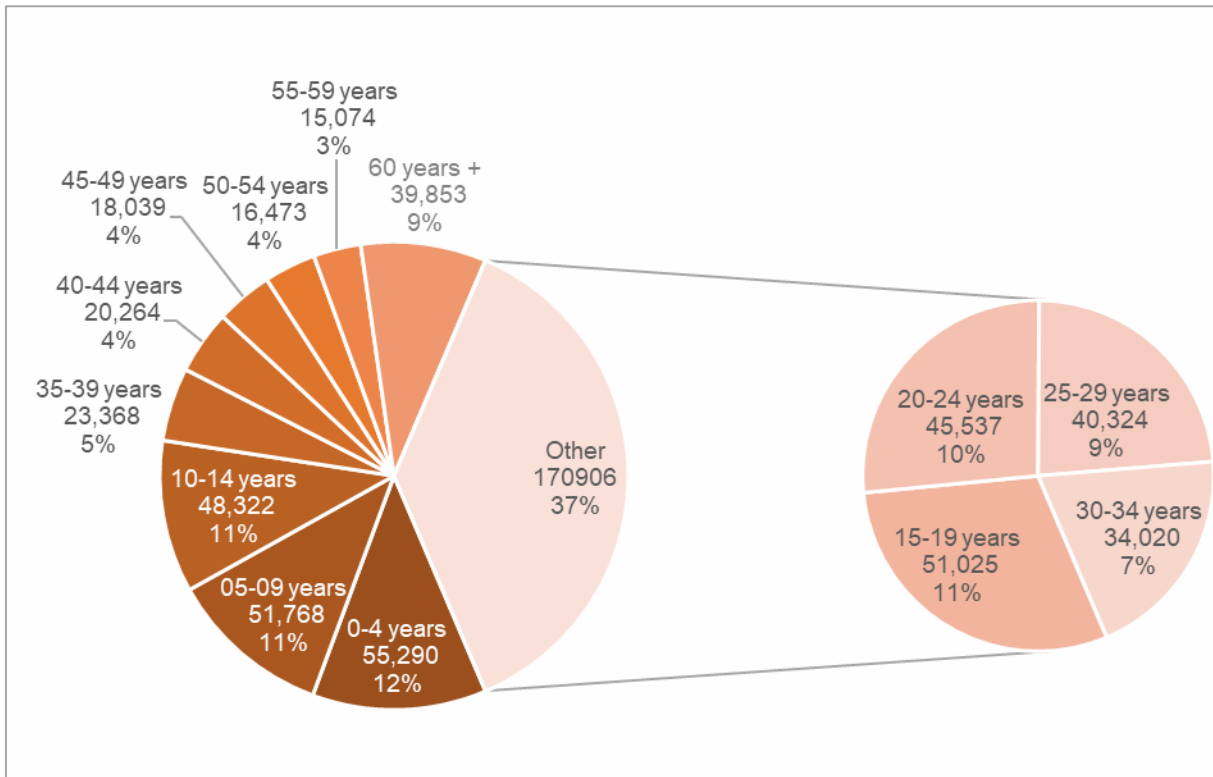
**Source: Community Survey: 2016**

**Age Distribution**

Approximated 107,906 or 37% of the District’s population is between the ages of 15 and 34 years. The smallest population age group, estimated at 15,074 or 3.3% of the population, is between 55 and 59 years. Persons below the age of 15 years are estimated at 155,380 or 34% of the population.

The following chart is an illustration of the District’s population size categorised by age group:

Chart 1: Population by Age Group

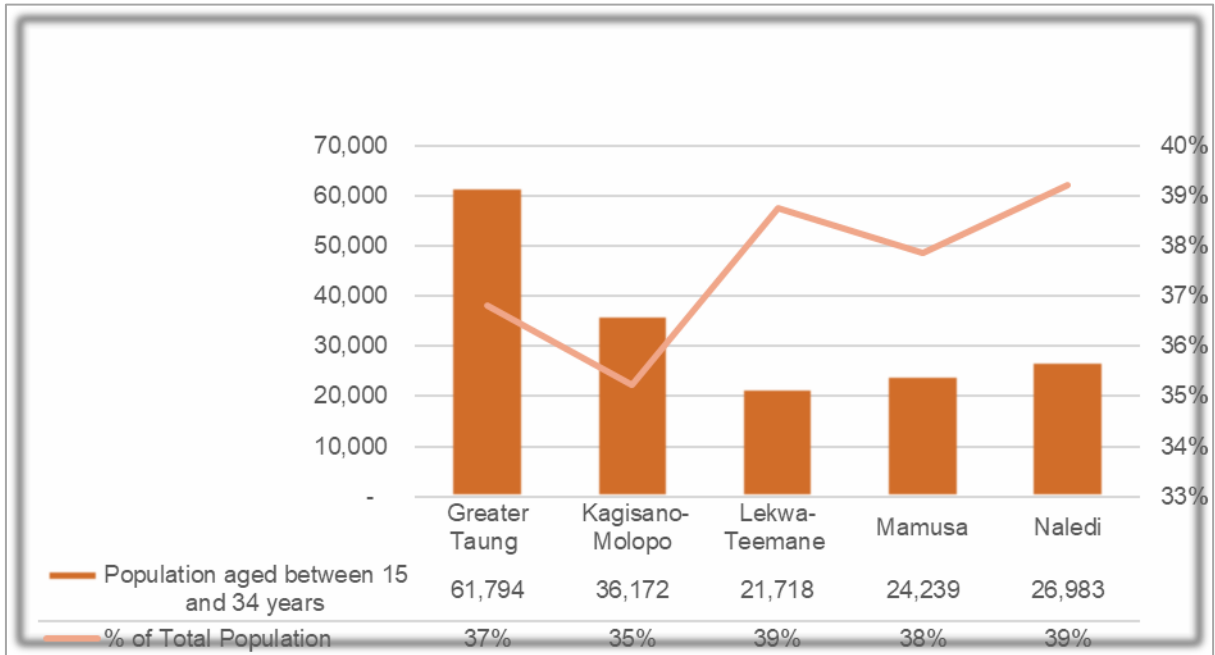


**Source: Community Survey: 2016**

Greater Taung and Kagisano-Molpo have the highest number of persons between the ages of 15 and 34 years which emphasises the need for local economic growth and development efforts to not only put a specific emphasis on the youth but to also include the youth population that live in predominately rural localities, in the District.

The following chart is an illustration of the number of persons aged between 15 and 34 years per local municipality and the chart thereafter shows the population per age group and local municipality:

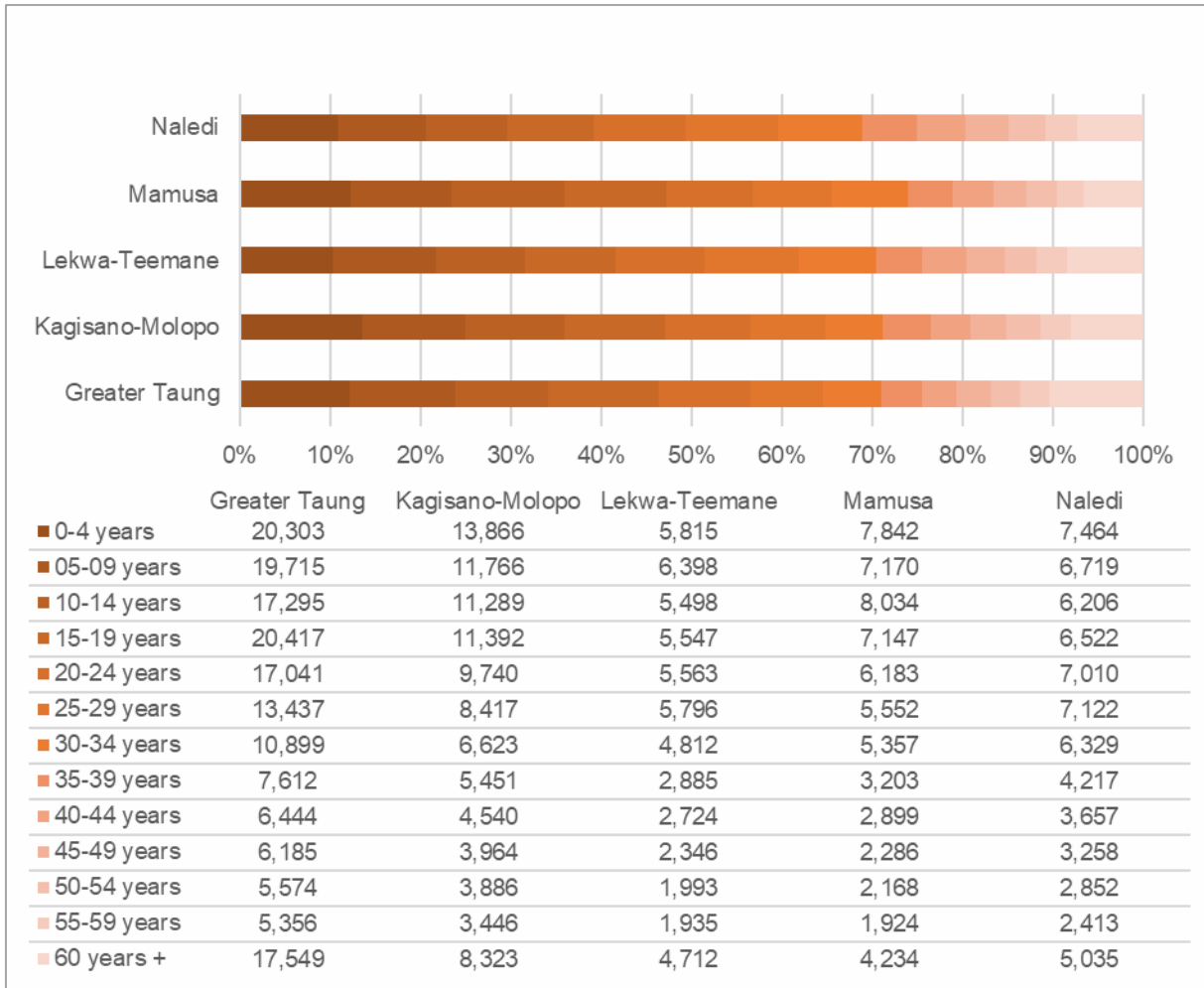
**Population aged between 15 and 34 years by Local Municipality**



**Source: Community Survey: 2016**



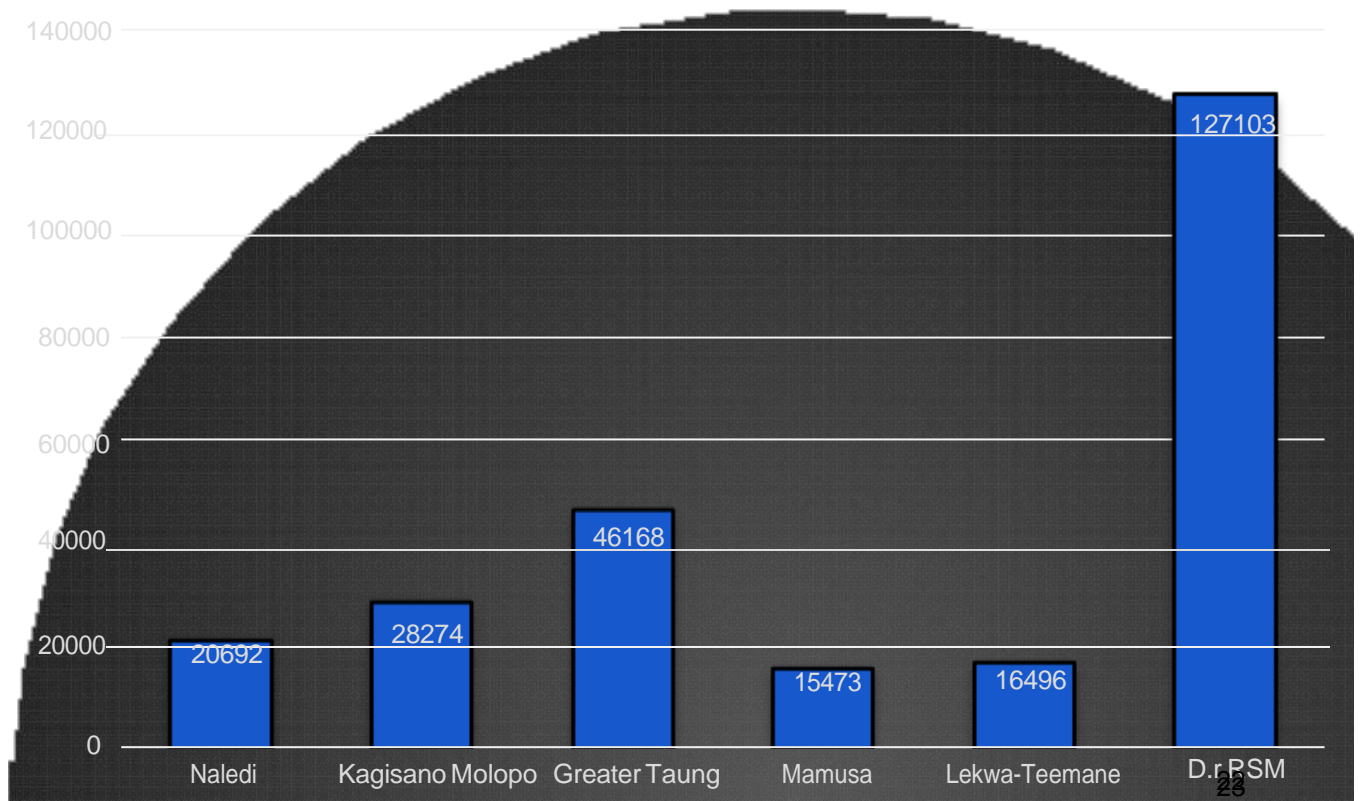
## Population by Age Group and Local Municipality



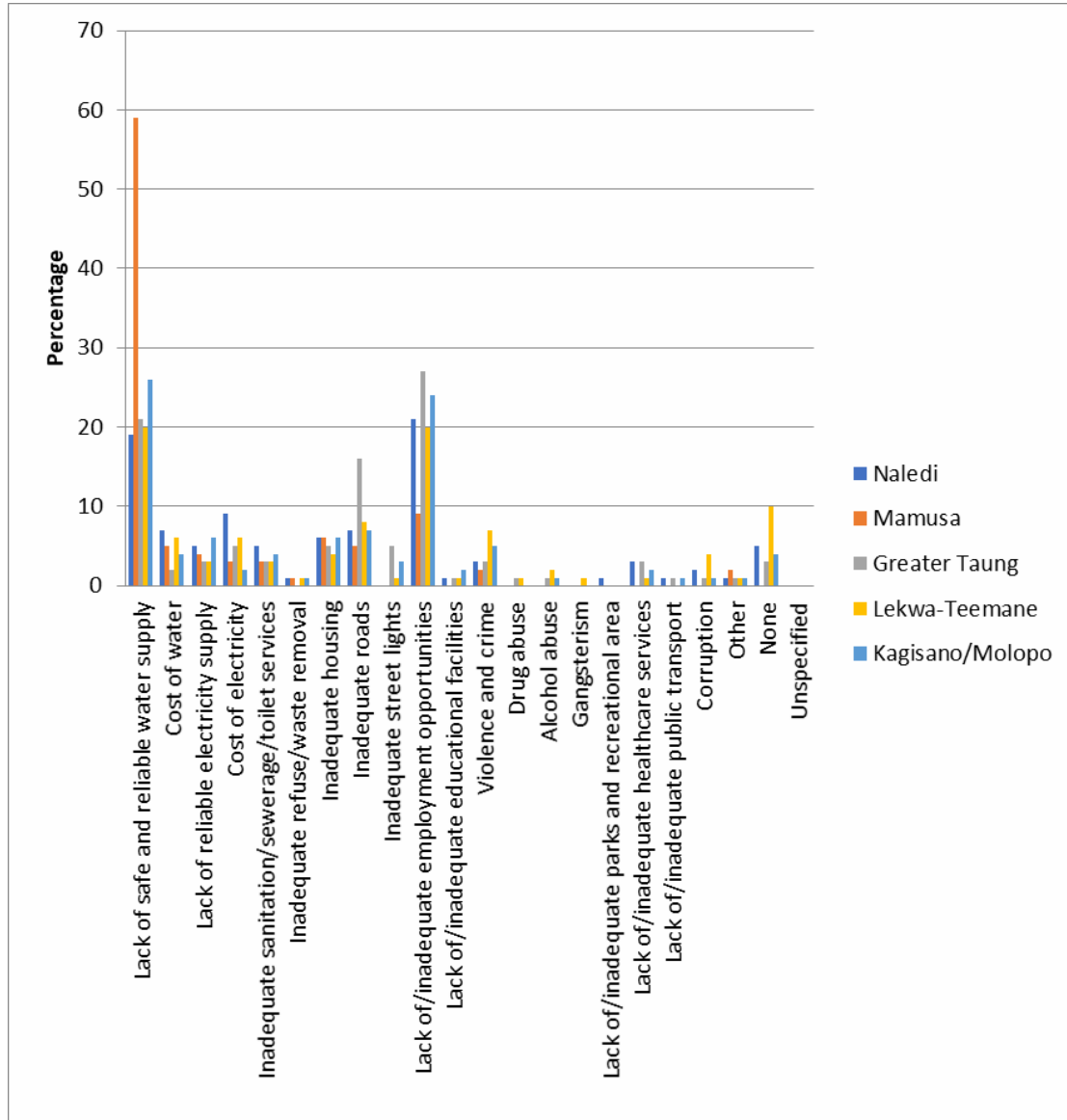
Source: Community Survey: 2016

Population Details				
AGE	MALE	FEMALE	TOTAL	SEXRATIO
Age:0-4	204891	202618	407509	101
Age:5-9	186564	186620	373184	100
Age:10-14	167772	167887	335658	100
Age: 15-19	177002	170518	347520	104
Age:20-24	181188	167526	348714	108
Age:25-29	185584	167153	352737	111
Age:30-34	152110	148469	300579	103
Age:35-39	137857	118875	256732	116
Age:40-44	118389	101728	220117	116
Age:45-49	105011	90474	195485	116
Age:50-54	89123	75913	165037	117
Age:55-59	75844	68494	144338	111
Age:60-64	54441	56667	111109	96
Age:65-69	31612	42682	74294	74
Age:70-74	22466	33031	55498	68
Age:75-79	10421	18665	29087	56
Age:80-84	5339	11761	17100	45
Age:85+	3972	9767	13738	41

Total household count by municipality: DR. RSM CS 2016



## SOCIO-ECONOMIC STATUS



<b>Overview of local Municipalities within Dr Ruth Segomotsi Mompoti District Municipality</b>		
<b>Municipality</b>	<b>Population</b>	<b>Household</b>
Naledi	68803	20692
Greater Taung	167827	46168
Lekwa-Teemane	56025	16496
Mamusa	64000	15473
Kagisano-Molopo	102703	28274

<b>NATURAL RESOURCES</b>	<b>Relevance to community</b>
Salt oil	Export commodity for economic growth
River Sand Harvesting	Business opportunity
Land for cultivation and livestock production	Food production and sustainability

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### 1.3. SERVICE DELIVERY OVERVIEW

#### **SERVICE DELIVERY INTRODUCTION**

The Dr. Ruth Segomotsi Mompoti District Municipality is among the areas that have been characterised by socio-economic inequalities that result in high levels of poverty in the areas. However, the district consists of high potential agricultural land and tourism sites. There is also lack of access to basic needs such as portable water supply, which in turn affects the developmental objectives of the district municipality. Most of the rural areas in Dr. Ruth Segomotsi Mompoti district municipality are still currently characterised by service delivery backlogs. The inability for communities to access these basic services has led to constraints in improving the quality of life of the rural communities and also achieving economic development within those areas.

The compartmentalized spatial form of settlements and lack of economic opportunities in the district results in community members depending on services located far from their places of living. Consequently, rural communities have to spend more money and time in order to access places of employment and other opportunities. The land development in these regions is scattered with an absence of a strong nodal hierarchy. There are certain factors that influence land use patterns currently which mainly include uneven topography and membership of the community and traditional land allocation practices. Furthermore, the current land use pattern has evolved in response to the economic trends, settlement patterns, rural character of the districts, applicable planning policies and land use management practices such as formal and customary.

#### Rural

The Dr. Ruth S Mompoti District Municipality identifies local economic development (LED) as one of its key performance areas (KPAs)/thematic areas, with its overarching objective to create an environment that promotes the development of the local economy and facilitates job creation. The intended outcome of this objective is improved municipal economic viability.

The Dr. Ruth S Mompoti District Municipality is faced with a number of challenges in respect of local economic development, some of which are outlined in the table below:

- Key Challenges High levels of unemployment, poverty and inequality;
- Limited budget for development;
- Low skills level, human capital and experience;
- Attraction of major investment to the district; Poor infrastructure conditions.

The Dr. Ruth S Mompoti District economic growth remains a challenge because of poor infrastructure conditions, including roads, water networks or reticulation, communication, electricity and transport networks. The Dr. Ruth S. Mompoti District IDP acts as a broad business plan for the district, and aims to tackle the challenges of poor infrastructure, high unemployment, poverty, provision of education, minimal access to water and sanitation, and the structure of the local economy amongst other challenges that it faces. Emphasis will be put on projects linked to budgets that support the objectives and priorities it outlines.

## **SOCIAL STATISTICS**

	<b>Naledi</b>	<b>Mamusa</b>	<b>Greater Taung</b>	<b>Lekwa-Teemane</b>	<b>Kagisano/Molopo</b>
Lack of safe and reliable water supply	19	59	21	20	26
Cost of water	7	5	2	6	4
Lack of reliable electricity supply	5	4	3	3	6
Cost of electricity	9	3	5	6	2
Inadequate sanitation/sewerage/toilet services	5	3	3	3	4
Inadequate refuse/waste removal	1	1	0	1	1
Inadequate housing	6	6	5	4	6
Inadequate roads	7	5	16	8	7
Inadequate street lights	0	0	5	1	3
Lack of/inadequate employment opportunities	21	9	27	20	24
Lack of/inadequate educational facilities	1	0	1	1	2
Violence and crime	3	2	3	7	5
Drug abuse	0	0	1	1	0
Alcohol abuse	0	0	1	2	1
Gangsterism	0	0	0	1	0
Lack of/inadequate parks and recreational area	1	-	0	0	0
Lack of/inadequate health care services	3	-	3	1	2
Lack of/inadequate public transport	1	0	1	-	1
Corruption	2	0	1	4	1
Other	1	2	1	1	1
None	5	0	3	10	4

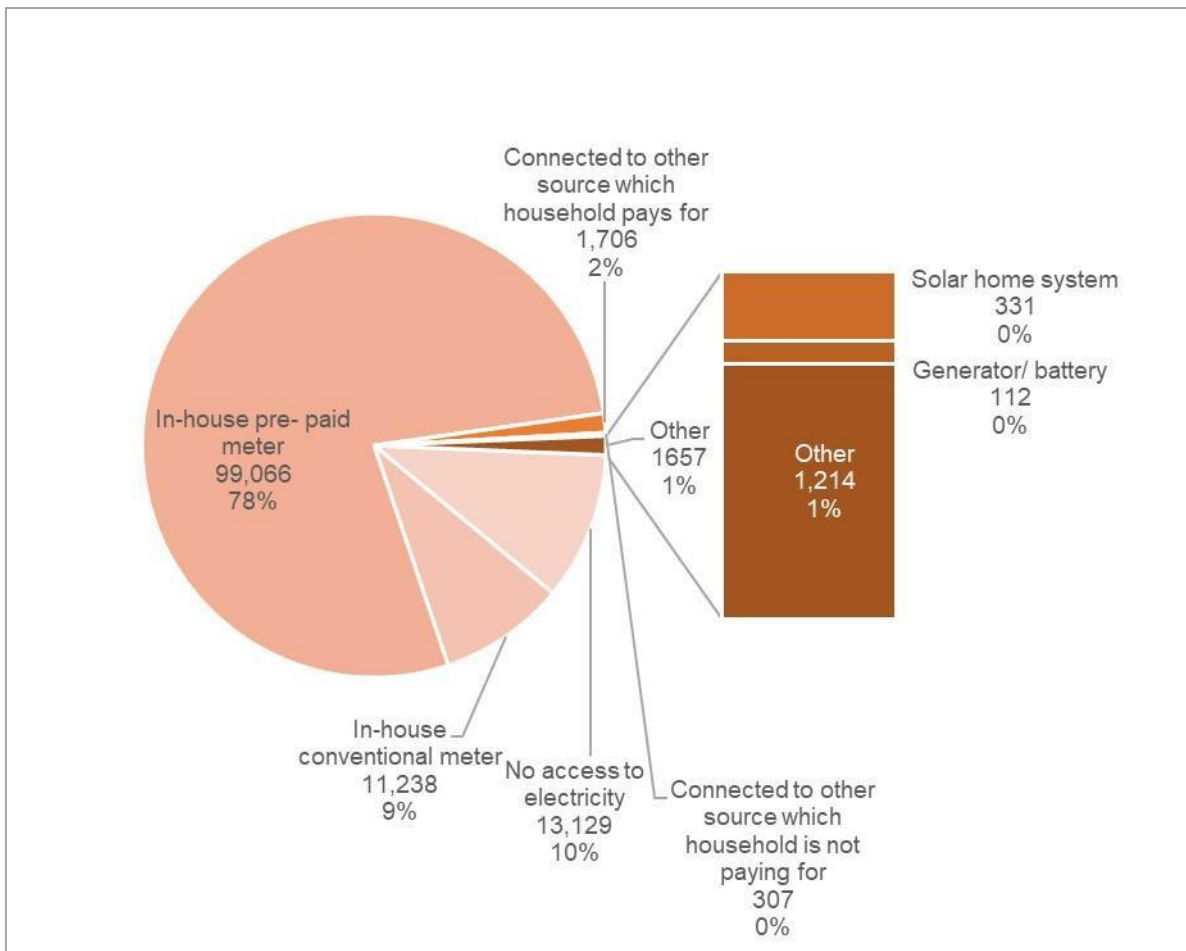
## Access to Services

### Electricity

Electricity is a basic service and a primary source of energy for most of the households in the District. An estimated 90% of households have access to electricity, with 99,066 (or 78%) households having in-house paid meters. Therefore, it is expected that up to 90% the population have access to 50kWh of free basic electricity per month. Only 1% of households rely on other sources of electricity such as solar home system (331) and generator or battery (112).

The following chart illustrates the number of households with or without electricity by source:

**Households with access or no access to electricity by source**

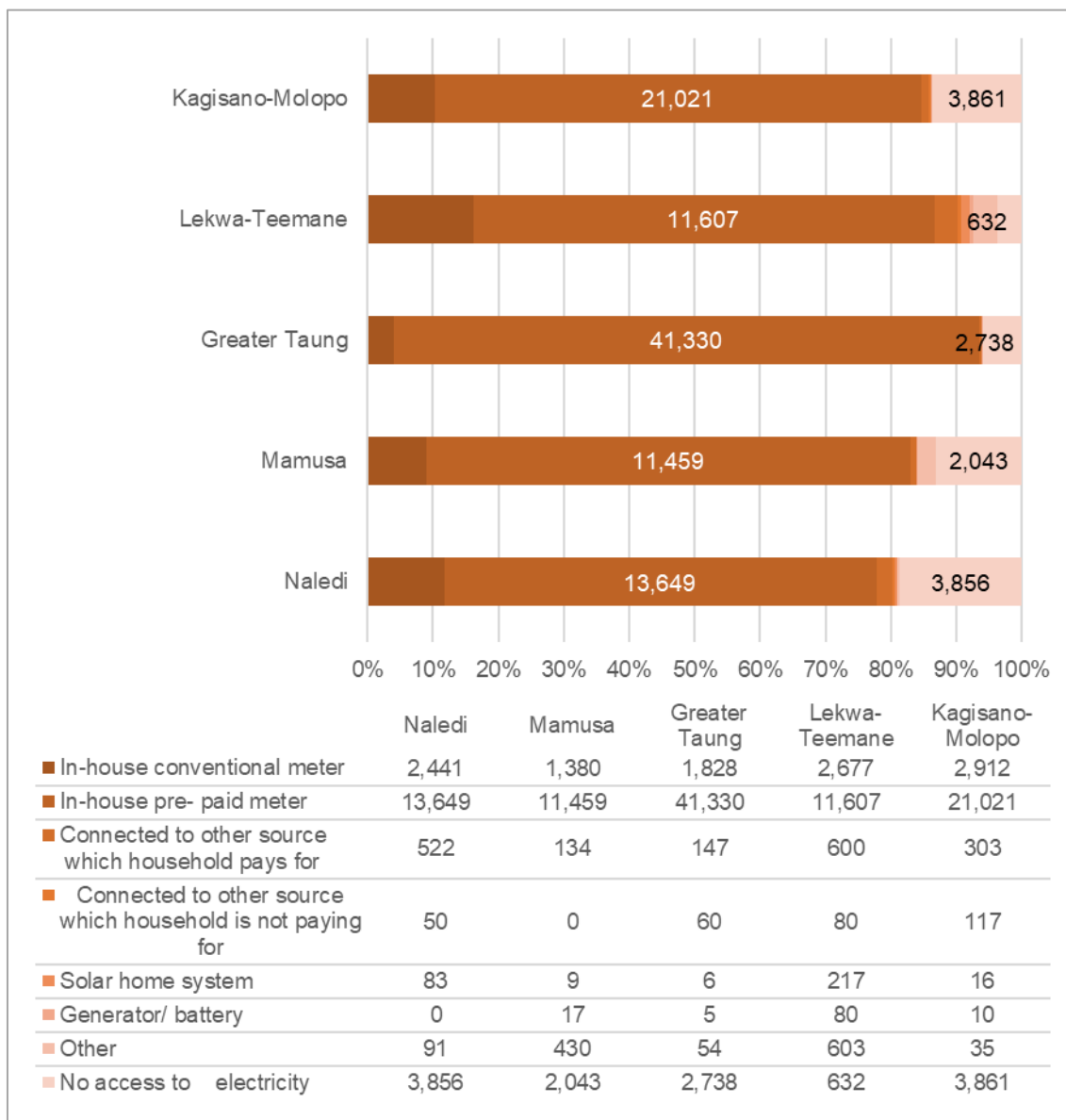


Source: Community Survey: 2016

The Kagisano-Molopo and Naledi local municipalities have the highest number of households no access to electricity, including free basic services. Such households may be excluded from the economic opportunities in the District; hence it is critical to ensure that in an effort to implement an all-inclusive strategy such households are considered and included.

The following chart is an illustration of the number of households with or without access to electricity by source and local municipality:

**Households with access or no access to electricity by source and local municipality**



Source: Community Survey: 2016



In terms of households with access to electricity, Eskom is the main supplier of in the District, supplying up to 90.1% of all households. The municipality supplies only 8.8% and the remaining 1.1% of all households rely on other sources. A total of 92.9% of all households with access to electricity use prepaid meters and 6.1% use conventional meters which are read and billed 30 days in arrears, and payable another 30 days after receiving the bill. Therefore it is expected that households in the District have very low debt, on average, owed to Eskom or the local municipality for electricity.

The following chart shows the number of households with access to electricity by the supplier of such electricity and the type of meter:

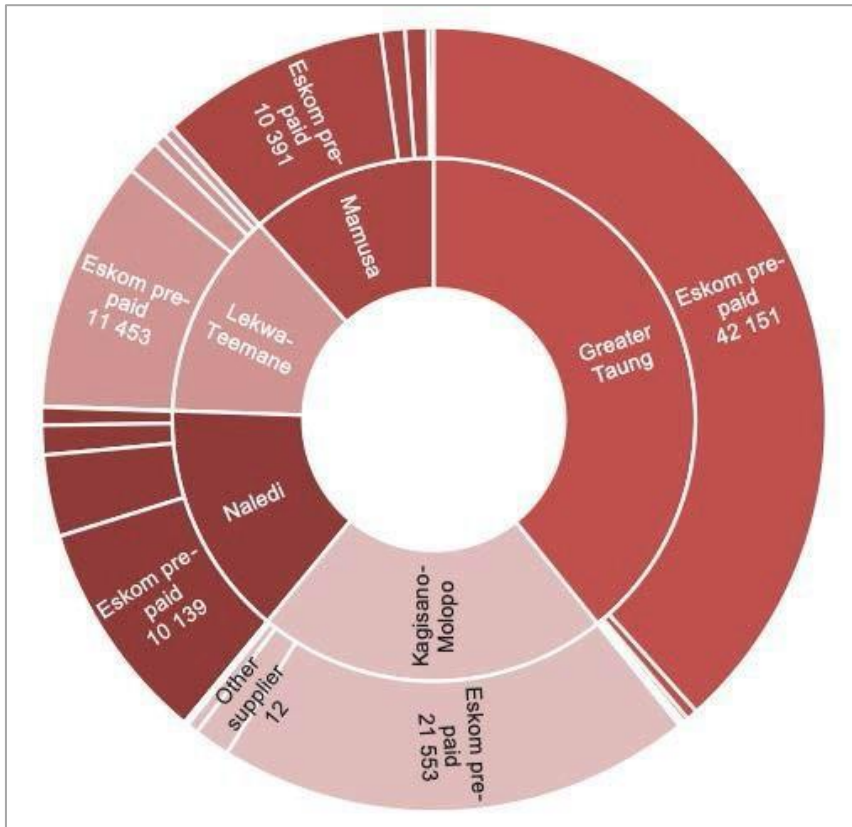
**Number of households with access to electricity by Supplier**



Source: Community Survey: 2016

The following chart shows the number of households with access to electricity by the supplier of such electricity and the type of meter per local municipality:

**Number of households with access to electricity by supplier**



Source: Community Survey: 2016

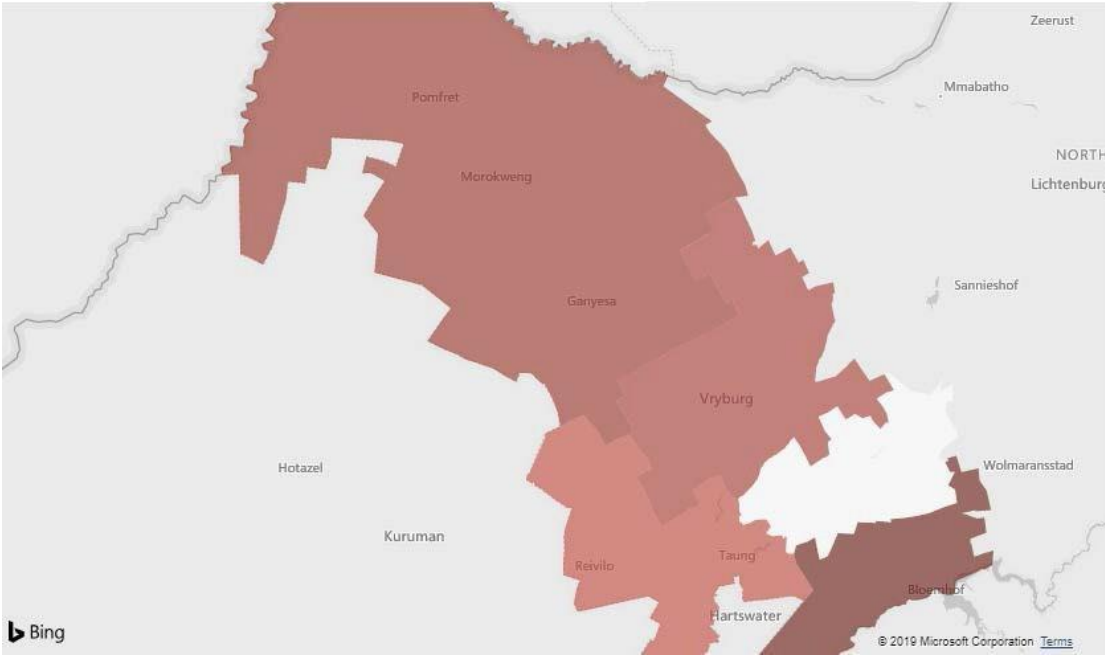
**Water**

In South Africa access to clean drinking water, also referred to as potable water, is considered a human right, In 1994 the then Department of Water Affairs (DWA) established the Community Water Supply and Sanitation Programme (CWSS) and its key mandate was to ensure access to potable water for every South Africans and in 2000 a policy to provide indigent households with at least 6KL for free on a monthly basis. Presently, over 85.9% of all households in the District have access to potable water.

The District is a Water Services Authority, with the responsibility to ensure that all households in its jurisdiction have access to potable water, though it has given the local the responsibility to provide this service thereby making them Water Services Providers. Through its role as an authority, the District should ensure access to water which is a key resource for economic growth and development.

The map that follows illustrates that Lekwa-Teemane Local Municipality has the highest percentage of households with access to potable water at 91.04% whereas Mamusa Local Municipality, at 77.43%, has the lowest percentage households with access to potable water:

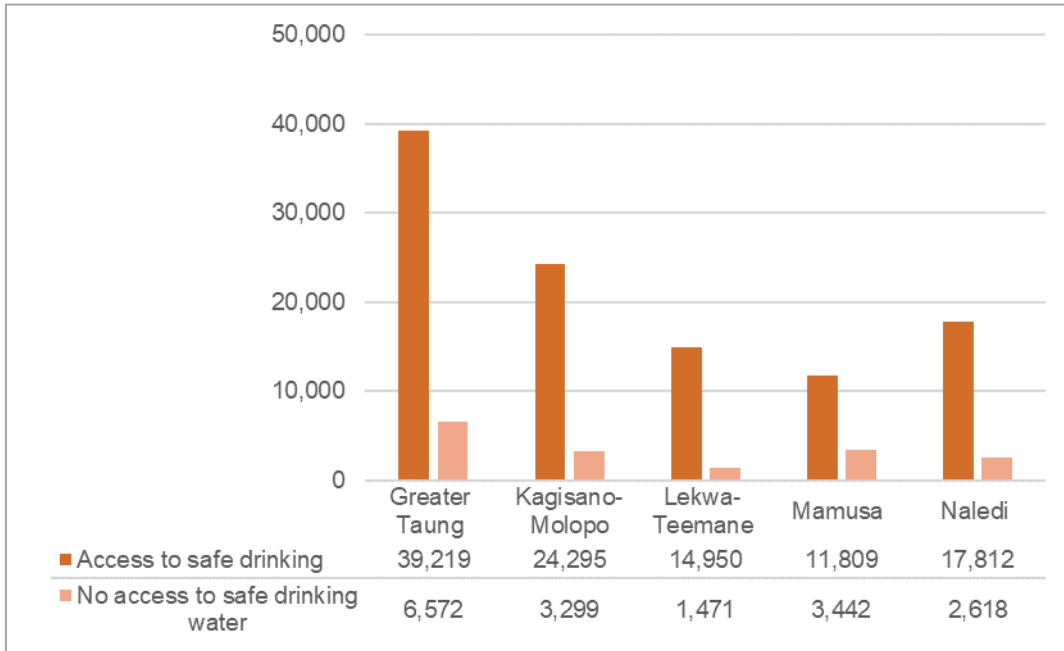
**Percentage of households with access to potable water by Local Municipality**



Lowest  
Source: Community Survey: 2016

Highest

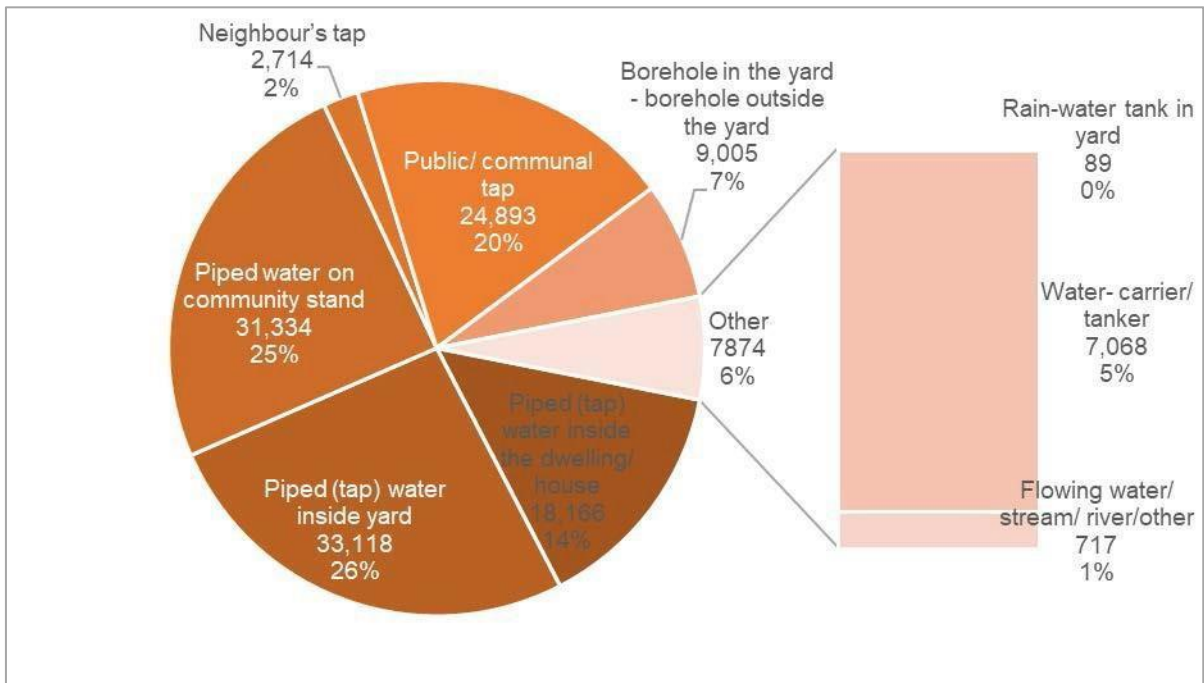
**Number of households with access to potable water and without access by Local Municipality**



Source: Community Survey: 2016

The chart that follows illustrates that 26% of households that have access to water have such access through piped water in the yard and a further 25% have access through a piped water on a communal stand. Only 6% or 7,874 households rely on other sources of water such as rain-water tank in yard, water-carrier or tanked as well as flowing water, stream, river and/or other water sources:

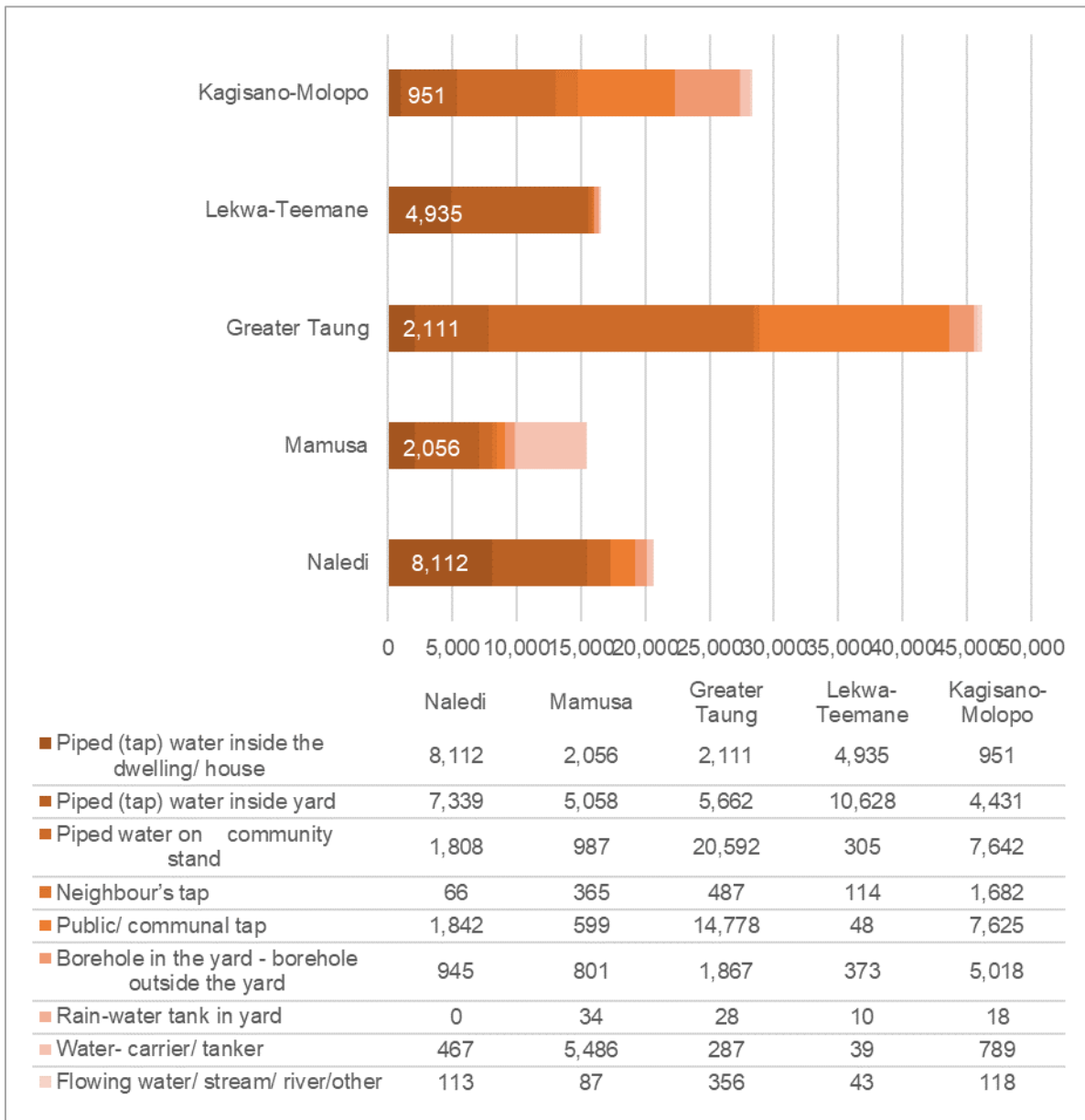
**Number of households with access to potable water by main source**



Source: Community Survey: 2016

The chart that follows illustrates that Naledi Local Municipality has the highest number of households with access to piped water in the yard whereas Greater Taung has the highest number of households that rely on piped water in a community stand.

### Number of households with access to potable water by main source and local municipality



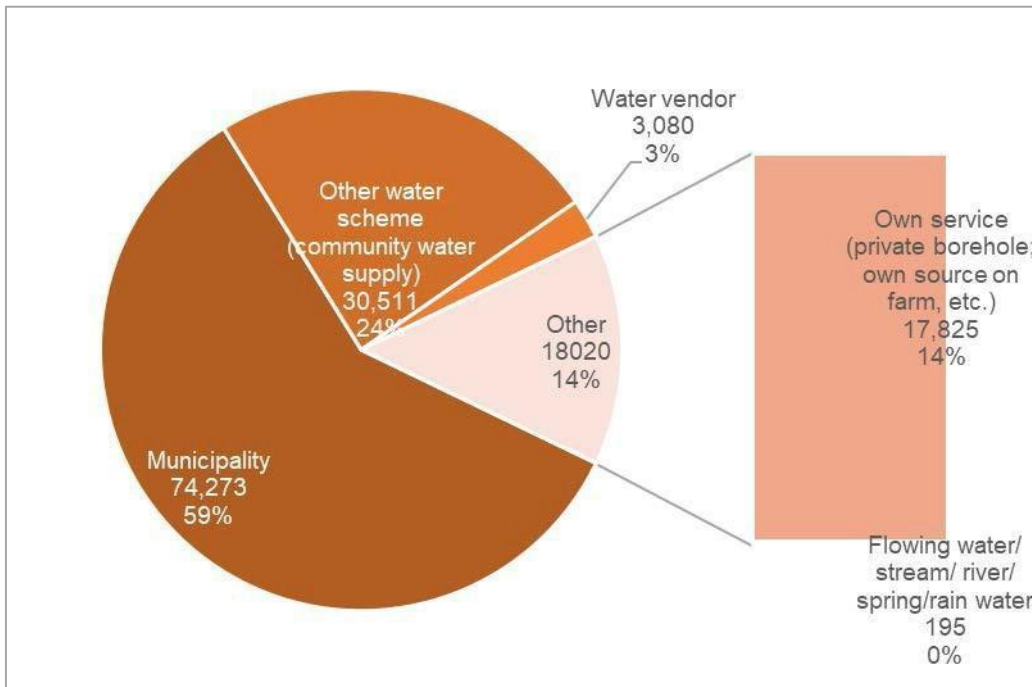
Source: Community Survey: 2016

Local municipalities in the district are the primary suppliers of access to potable water and 59% of households in the District rely on the local municipalities as the main supplier of potable water. Households that receive water services from the local municipalities and have piped water inside the yard typically receive the free 6KL and any consumption over and above the free basic service is billed 30 days in arrears and payable after another 30 days after receiving the bill.

Therefore it is expected that such households will have higher debt levels, on average, owed to the municipality for the provision of water if compared to the debt levels owed to the municipality for the provision electricity.

The following chart is an illustration of the number of households with access to water by supplier per municipality:

**Households with access to potable water by supplier**



Source: Community Survey: 2016

**Number of households with access to potable water by supplier and local municipality**



Source: Community Survey: 2016

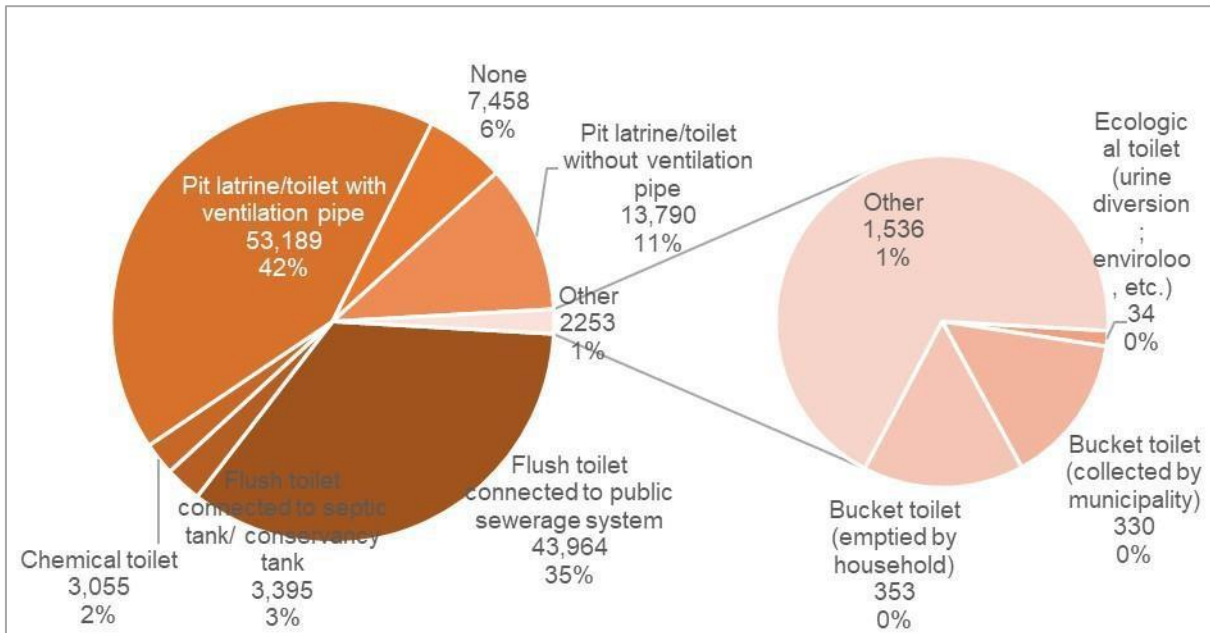


## **Sanitation**

Access to sanitation services is also a fundamental right that is provided for in the Republic of South Africa's Bill of Rights. It is the District's responsibility to ensure that households in its jurisdiction have access to basic sanitation services. In exercising this mandate the District can create economic opportunities by using wastewater as feedstock to generate energy, in the form of electricity or biogas, by establishing an anaerobic digester plant.

The following chart illustrates the number of households with access to sanitation services by type of toilet facility (94.1%) as well as households with no access to a toilet facility, which represents 7,458 or 5.9% of all households:

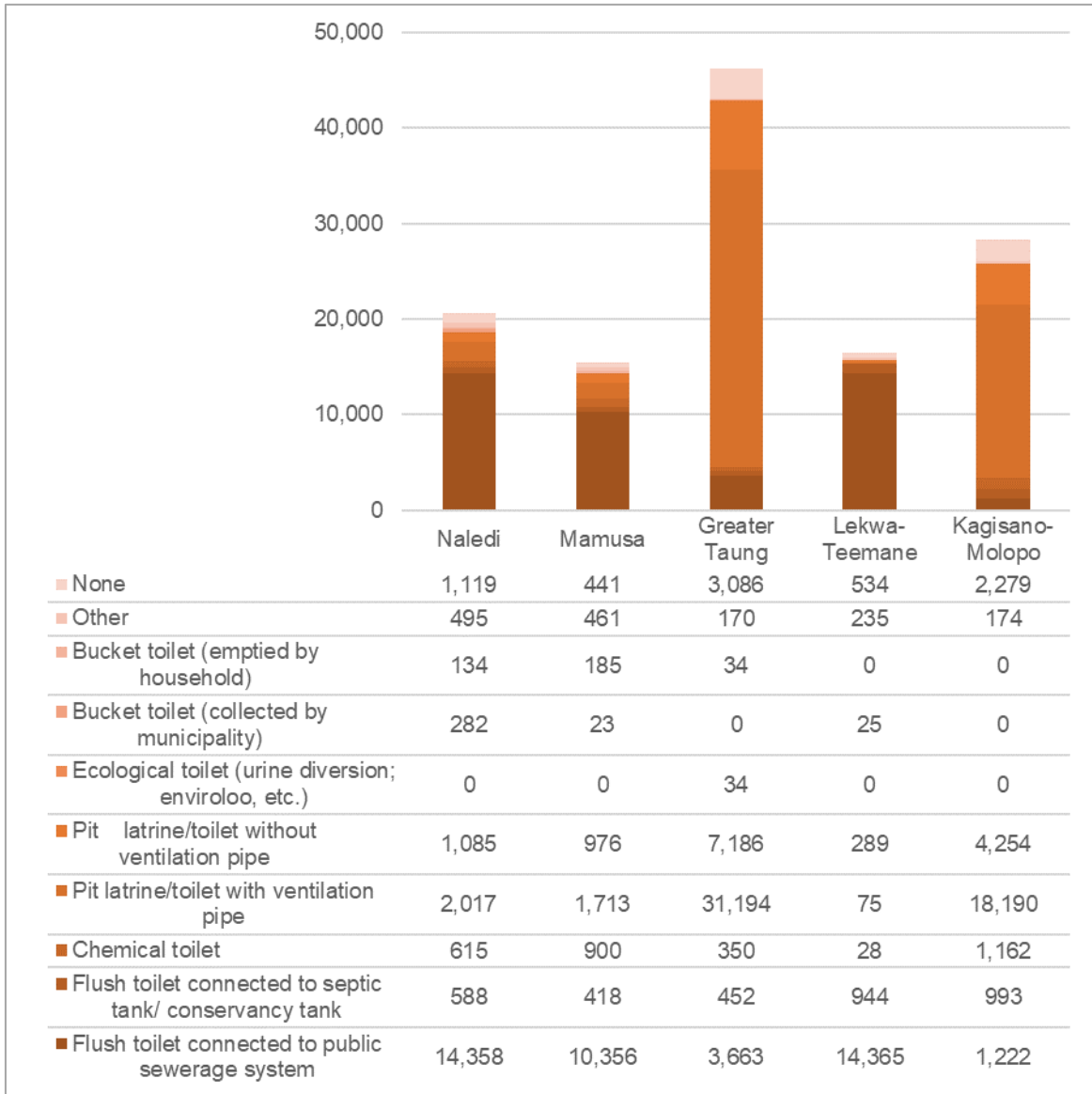
Number of households by access to sanitation services



Source: Community Survey: 2016

Greater Taung Local Municipality has the highest number of households with no access to toilet facilities as well as the number of households with pit latrines or toilet with a ventilation pipe. Conversely, Lekwa-Teeman and Naledi local municipalities have the highest number of households with access to a flush toilet. Only the Greater Taung and Kagisano-Molopo local municipalities do not have bucket systems that are collected by the respective municipalities whereas Naledi Local Municipality has the highest number of households with bucket systems that are collected by the municipality. Mamusa has the highest number of households with bucket systems that are emptied by the households.

**Number of households with access to sanitation services by type of toilet facility and local municipality**



Source: Community Survey: 2016

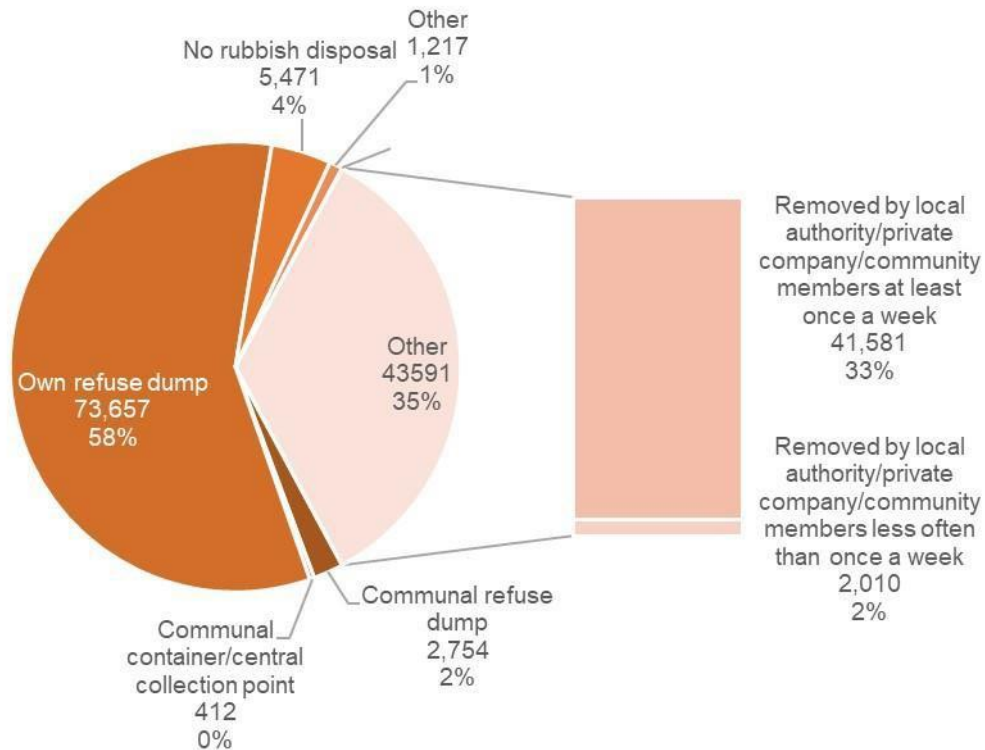
## Refuse Removal

The provision of refuse removal services, particularly for households, is a responsibility of local government. The typical value-chain for refuse removal ends with waste being disposed of in a landfill site. By 2011, municipalities in South Africa were expected to be diverting at least 25% of waste from landfill, however, an estimated 90% of all waste generated in the country still ends up in landfill sites.

In the District, an estimated 33, 7% of households have access to refuse removal services from the local authority or private company. Households that have access to a weekly service represent 32.7% and the remaining 1.6% have access to a collection that is less often than once a week. A further 58% own a refuse dump and 4% does not have access to refuse removal and/or disposal services.

The following chart shows the number of households by type or access to refuse removal services:

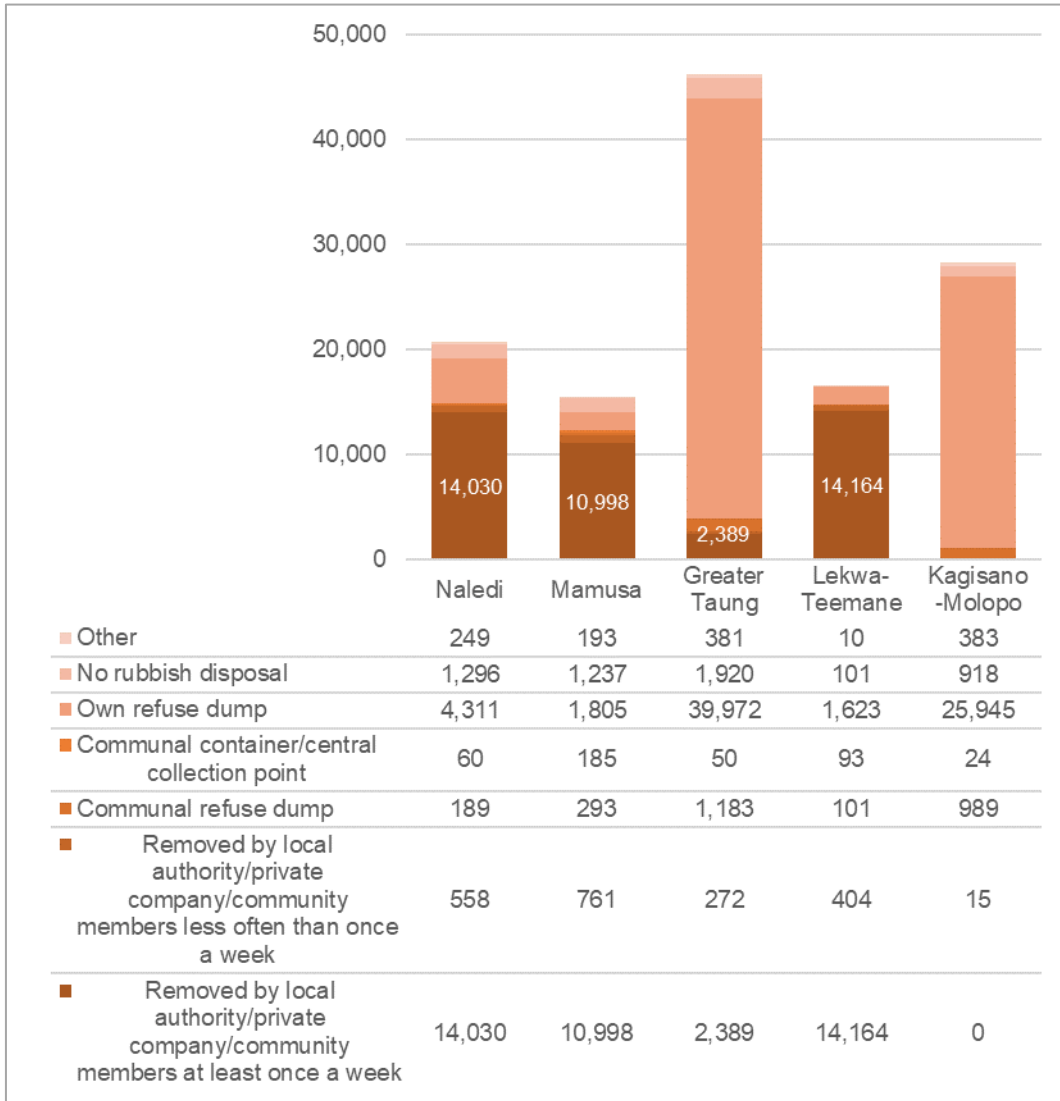
**Number of households by type or access to refuse removal services**



Source: Community Survey: 2016

Mamusa, Lekwa-Teemane and Naledi local municipalities have the highest number of households with access to a weekly refuse removal service. Greater Taung represents only 5.7% whereas Kagisano-Molopo does not have any households with access to a weekly collection by a local authority. Households in Greater Taung and Kagisano-Molopo rely mostly on their own refuse dump, at 39,972 and 25,945.

### Number of households by type or access to refuse removal services and Local Municipality



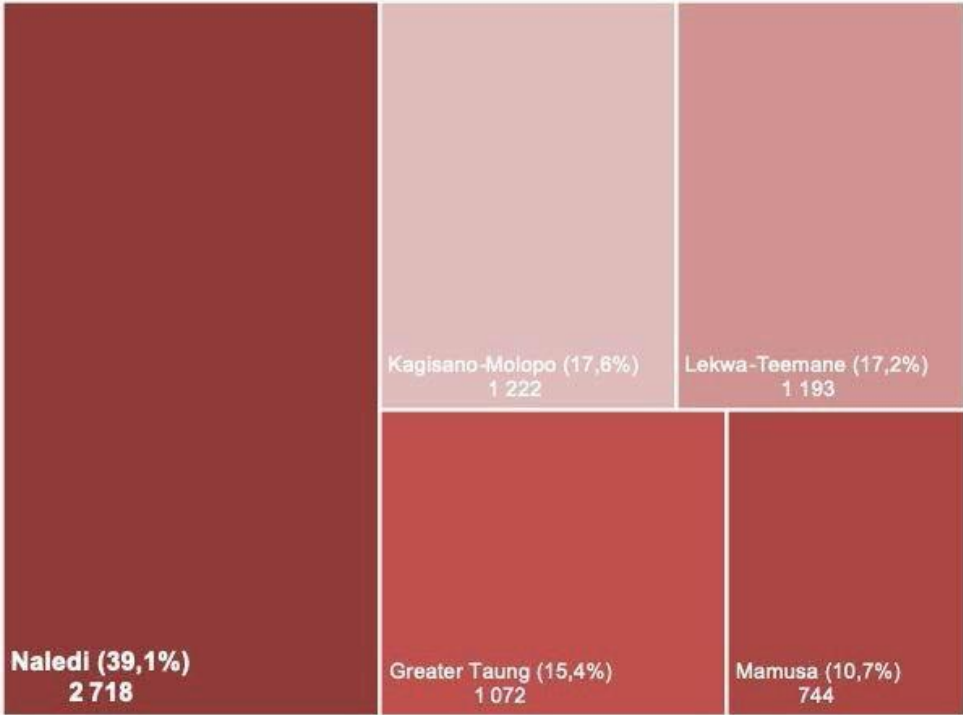
Source: Community Survey: 2016

Based on the Department of Environmental Affairs (DEA) 2017. Operation Phakisa: Lab Report the waste economy contributed approximately R24.3 billion to the South African GDP in 2016. It provided 36 000 formal jobs and supported an estimated 80 000 informal jobs or livelihoods. A further R11.5 billion per year could be unlocked by 2023 by diverting up to 20 million tonnes of waste. This should be taken into consideration when identifying local economic development opportunities in the District. Access to Internet Services

South Africa has a high concentration of cell phone wherein, on average, a typical adult South African has more than one cell phone. However, access to the internet is hampered by the relatively high cost of data and data connectivity, if compared to similar countries. In the modern-day data-driven economies lack of access to the internet may exclude certain sectors of the District’s population from accessing economic opportunities.

The following chart illustrates that approximately 94.2% of households in the District do not have access to the internet. Of the 5, 8% or 6,950 households that have internet access, Naledi represents 39.1% of such households followed by Kagisano-Molopo (17.6%) and Lekwa-Teemane (17.2%).

**Number of households with access to the internet by Local Municipality**



Source: Community Survey: 2016

The table that follows illustrates a comparative analysis of the number of households with and without access to the internet by municipality:

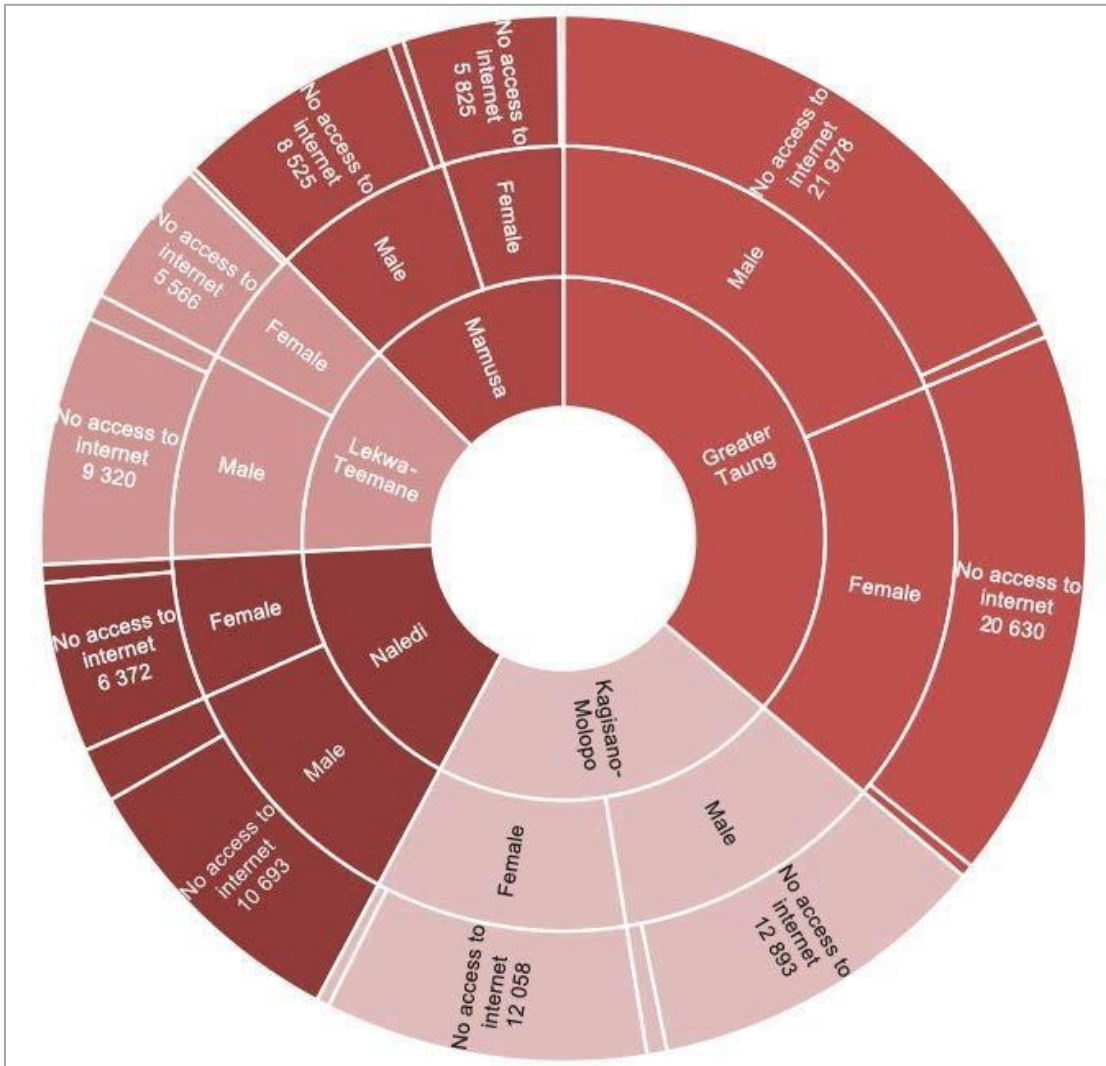
**Number of households with and without access to the internet by municipality**

<b>Municipality</b>	<b>Access to internet</b>	<b>% with access to internet</b>	<b>No access to internet</b>	<b>% with no access to internet</b>
<b>Naledi</b>	2 718	13,7%	17 065	86,3%
<b>Mamusa</b>	744	4,9%	14 349	95,1%
<b>Greater Taung</b>	1 072	2,5%	42 607	97,5%
<b>Lekwa-Teemane</b>	1 193	7,4%	14 886	92,6%
<b>Kagisano-Molopo</b>	1 222	4,7%	24 951	95,3%
<b>Dr Ruth Segomotsi Mompati</b>	6 950	5,8%	113 859	94,2%

Source: Community Survey: 2016

The chart that follows illustrated that an estimated 63,409 male-headed households do not have access to the internet and an additional 50,451 female-headed households also do not have any access to the internet.

**Number of households by gender of head of household and Local Municipality**



Source: Community Survey: 2016



The provision of basic services in the District is currently unsatisfactory particularly due to the ageing water and sanitation infrastructure that also lacks maintenance. Poor services delivery also affects potential investment into the District, for example, no business wants to invest where there is limited access to water since this may adversely affect productivity.

Low Population densities and large distances between villages and settlements increase the cost of providing services and infrastructure to the remote and predominately rural area hence there is generally a migration of the population from predominantly rural local municipalities to more urbanised local municipalities in pursuit of economic opportunities. These migration patterns are posing a challenge on the planning.

The lack of rental houses in the district discourages skilled and professional people from other areas to migrate the requisite skills for economic development into the District. A large number of shacks in some of the local municipalities affect service delivery.

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#### 1.4. FINANCIAL HEALTH OVERVIEW

During the 2021/2022 financial year, the municipality continued to ensure compliance with laws and regulations in managing their financial affairs despite the raising challenge of limited financial resources that threatened the financial viability of the Municipality. Stricter controls and cost containment measures are being implemented on the budget and will contribute to curbing the unauthorized, irregular, fruitless and wasteful expenditure during the financial year .

Even though the municipality's budget is at a deficit, a lot of the objectives could be implemented because this deficit was addressed by the non-cash items that were included in the budget. The financial situation has been tougher and the financial obligations of the municipalities have also continued to grow. These financial pressures and financial challenges are mainly due to high dependence on conditional grant funding by the municipality as it has been very difficult for the municipality to come up with any revenue raising sources. The limited own revenue that is reported in the financial performance is from the sale of bid documents and from the limited interest that the municipality raises from investing the conditional grants that are not immediately implementable.

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#### 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

##### **Performance Management**

The Performance Management System has been implemented and sustained to ensure Councillors and officials are able to monitor, review and report on performance.

The following key PMS elements were implemented:

- The Executive Mayor approved the SDBIP.
- The Municipal Manager and Section 56 Manager signed their Performance Agreements
- IDP/Budget and PMS process plan was adopted by Council.
- The prior year Annual Reports and Oversight Report were tabled during the financial year and submitted to all the stakeholders i.e. Auditor-General, Provincial and National Treasuries.

## 1.6. AUDITOR GENERAL REPORT

Refer to annexure B - Page 205-215 of this report.

## 1.7. STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	December
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

It is necessary that the District Municipality derive maximum benefit from its efforts in submitting reports. Such benefits are typically obtained in the form of being able to compare and benchmark against other municipalities and to learn from the feedback mechanisms.

The Annual Report process flow provides a framework for the municipality to follow in completing various reports within each financial year cycle. It is recommended that Municipal Manager monitor this process flow and ensure that reports are submitted timeously. If the process flow is followed, the District Municipality should be able to provide an unaudited Annual Report in August of each year, which is consistent with the MFMA.

One of the advantages of compiling an unaudited Annual Report in August is that it can be used to influence the strategic objectives indicated in the IDP for the next financial year as well as the budgetary requirements related to each vote.

An unaudited Annual Report is submitted in August will further provide the municipality with an opportunity to review the functional areas that received attention during the current financial year and take the necessary corrective actions to align the IDP and budget to other priority areas needing attention.

The Annual Report of a municipality and every municipal entity must be tabled in the Municipal Council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of the Council, this must be interpreted as an outer deadline; hence the municipality must submit the Annual Report as soon as possible after year end, namely, August. The entire process is concluded in the first or second week of December for all municipalities, the same year in which the financial year ends and not a year later, as is currently the case. It is expected that effective management of performance will also result from this change.

The Annual Report must be aligned with the planning documents and municipal budget for the year reported on. This means that the IDP, budget, SDBIP, in-year reports, annual performance report and Annual Report should have similar and consistent information to facilitate understanding and to enable the linkage between plans and actual performance.

The above can only occur if the municipality set appropriate key performance indicators and performance targets with regards to the development of priorities and objectives in its IDP and outcomes (MSA S41). This requires an approved budget together with a resolution of approving measurable performance objectives for revenue from each source and each vote in the budget (MFMA, S24).

## CHAPTER 2 – GOVERNANCE

The Dr. Ruth Segomotsi District Municipality is committed to transparent and accountable governance. The broad range of public participation programmes and processes, especially related to its IDP; Budget and Annual Report bears testimony to the district municipality's commitment to involve its communities in its planning and decision-making processes. All the above programs are administratively supported by the Municipal Manager and senior management

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Dr. Ruth Segomotsi Mompoti District Municipality is category C municipality with a mayoral executive system as defined in the Municipal Structures Act, Act No.117 of 1998 as amended. In line with having a well -defined politically governed system, the municipality upholds the principles of well governed administrative system. At the center of a well governed administrative institution is policies that have been approved by council after extensive consultations with all the stakeholders.

The District Municipality governance model is like that of national and provincial as it is made of the legislative and executive functions. The legislative function is the political administration of council led by the Speaker and hold scheduled statutory meetings and special council meetings as when there is a need. The executive arm consists of the mayoral committee chaired by the Executive Mayor as well as administrative function led by the municipal manager.

The key role of Council is to focus on legislative, community participation and oversight roles. Council delegated its executive function to the Executive Mayor and the Mayoral Committee. Its major role is that of a policy maker. The Municipal Council is mandated with the role of formulating and approving by-laws, policies and programmes which will be for the best interest of the public.

The Audit and Performance Committee as well as the Risk Management Committee has been established to assist the Accounting Officer, Management and Council to ensure that policies, internal controls and procedures are in place that will create appropriate culture and systems which include processes for risk management planning identification analysis monitoring and control in a consistent manner, and to ensure adherence to administrative governance.

The district has established Municipal Public Accounts Committee (MPAC) which serves as an Oversight Committee and is comprised by non-executive councillors and their responsibility is to provide Council with recommendations on the Annual Report and other Reports that may be referred to it by Council. The District Municipality has established an Audit and Performance Committee which is a shared service with Local Municipalities within its jurisdiction.

**Mayoral Committee**

The Mayoral Committee is appointed by the Executive Mayor in terms of section 80 of the Municipal Structures Act, No. 117 of 1998. It consists of six (6) full time Councillors who serve as chairpersons of the Portfolio Committees. The committee assists the Executive Mayor to perform duties as outlined above. It convenes every month and is chaired by the Executive Mayor.

**Municipal Public Accounts Committee**

Consists of 5 Councillors; three are from majority party (ANC) and two from opposition (DA). The committee is established in terms of section 79 of the Municipal Structures Act (117 of 1998) and performs oversight function on behalf of Council. Reports considered by MPAC are referred to it by Council and after scrutinising them and conducting investigations where necessary, recommendations are referred to Council for decision making. It is chaired by a part time Councillor and none of the members are executives.

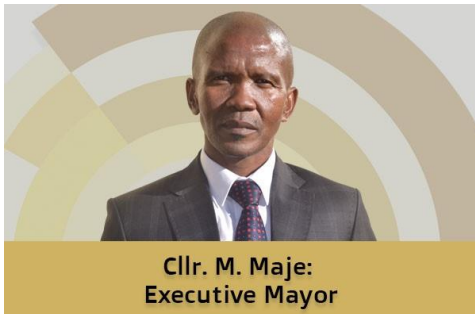
**Portfolio Committees**

The following Portfolio Committees have been established in terms of section 79 of the Municipal Structures Act No.117 of 1998 for the effective and efficient performance of any council's functions or exercise of any of its powers. The committees are chaired by the full time chairpersons who are members of the Mayoral Committee. They are created in such a way that they link with the municipal departments and functions.

<b>PORFOLIO COMMITTEE</b>	<b>CHAIRPERSON</b>
Engineering & Technical Services	Cllr. Pitso Seepamere
Community Services	Cllr. Boitumelo Setlhabetsi- Mokone
Economic Development Tourism & Agriculture	Cllr. Solly Matobo
Budget & Treasury	Cllr. Grace Masilo
Corporate Services	Cllr. Lebogang Jacobs
Planning & Development	Cllr. Lydia Duiker

## POLITICAL STRUCTURE

### MAYOR



### SPEAKER



The functions of the Speaker are set out in sec 37 of the Municipal Structure Act as follows:

- Presides at the meetings.
- Performs the duties and exercise the powers delegated to the speaker by the council.
- Must ensure the council meets at least quarterly.
- Must maintain order during council meetings.

**MAYORAL COMMITTEE/ EXECUTIVE COMMITTEE**



Cllr Boitumelo Setlhabetsi Mokone - Community Services



Cllr Grace Masilo – Finance



Cllr Solly Matobo – EDTA



Cllr Lebogang Jacobs – Corporate Services





**Cllr. S. Seepamere: MMC  
Engineering & Technical Services**

Cllr Pitso Seepamere – Engineering & Technical services



**Cllr. L. Duiker: MMC  
Planning & Development**

Cllr Lydia Duiker – Planning & Development

**COUNCILLORS AS AT 30 JUNE 2021**

Dr Ruth Segomotsi Mompoti District Municipality has 31 Councillors, 13 out of them are directly elected and 19 are seconded by their respective Local Municipality.

<b>DIRECTLY ELECTED</b>	<b>SECONDED</b>
Cllr Kgalalelo Gloria Sereko Cllr Boitumelo Setlhabetsi Mokone Cllr Lebogang Judy Mothibi Cllr Motseokae Alpheus Maje Cllr Solly Thabiso Matobo Cllr Wydman Joseph Dibakwe Cllr Coenrad Petrus Herbst Cllr Meriam Mosadiwapula Ntjilo Cllr Tebogo Alfred Babuile Cllr Thapelo Sylvester Phokoje Cllr Choganyeco Elvis Tladinyane (Diseased) NB Councillor Mkhawawiri Mikel Replaced Elvis Cllr Gaolatlhe David Kgabo	Cllr Boitshwarelo Pusho (SECONDED) Taung Cllr Grace Keoneeng Nthebotsenyane (SECONDED) Kagisano Molopo Cllr Keaoleboga Michael Lekgotla (SECONDED) Kagisano Molopo Cllr Lebogang Charles Jacobs (SECONDED) Naledi Cllr Nobakhe Grace Masilo (SECONDED) Mamusa Cllr Patricia Lerato Babuseng SECONDED Cllr Rebecca Molehe SECONDED Cllr Seepapitso Seepamere (SECONDED) Taung Cllr Thabang Jerry Thetswe (SECONDED) Kagisano Molopo Cllr Boniswa Marcia Nkewu SECONDED Cllr Jacque Kgomotso Masilo SECONDED Cllr Keitumetse Confidence Rooibatjie SECONDED Cllr Mosimanethebe Ernest Arabang SECONDED Cllr Nontombi Patience Tunyiswa SECONDED Cllr Revonnia Loeto Modise SECONDED Mosadiotsile Sylvia Morapedi-letele (SECONDED) Taung Cllr Lydia Duiker (SECONDED) Lekwa Taemane SECONDED Cllr Loeto Modise SECONDED

The Executive Mayor is elected by Council in terms of section 55 of the Municipal Structures Act No.117 of 1998. Amongst others, the Executive Mayor receives reports from the portfolio committees for consideration and forward these reports together with recommendations to the council when the matter cannot be disposed of by the Executive Mayor in terms of Executive Mayor's delegated powers. The Executive Mayor approves Service Delivery Budget Implementation Plan (SDBIP) and submits it to Council for noting.

**The following reports are legislated and tabled by the Executive Mayor to Council for approval.**

- Integrated Development Plan (IDP)
- Annual Budget
- Tables within 30 days of the end of each quarter report on the implementation of the budget and the Financial state of affairs of the municipality (Section 52(d) of MFMA)
- Report on the appointment of the Municipal Manager after finalisation of the recruitment and selection Process
- The Executive Mayor also chairs Budget Steering Committee

### **INTRODUCTION TO ADMINISTRATIVE GOVERNANCE**

In terms of Part 7 Section 82 of the Municipal Structures Act 117 of 1998 as amended the municipality must appoint the Municipal Manager who is the head of administration and therefore the Accounting Officer. In terms of Section 55 of the Municipal Systems Act, 32 of 2000 (as amended) the Municipal Manager as head of administration is subject to policy directives of the municipal council responsible for the formation and development of an efficient, economical, effective and accountable administration and must manage the municipality in accordance with all legislation and policies pertaining to Local Government.

In terms of section 50 of the Municipal Systems Act 32 of 2000 as amended, the Council in consultation with the Municipal Manager must appoint managers who are directly responsible to the Municipal Manager who must have relevant and requisite skills and expertise to perform the duties associated with the posts they each occupy.

According to our organogram, the Municipal Manager is the Accounting Officer of the District Municipality and is supported by seven (7) Senior Managers and their appointments are for a fixed term. The Municipal Manager is also accountable for all the income and expenditure and all assets as well as the discharge of liabilities of the municipality including proper and diligent compliance with the Municipal Finance Management Act, 53 of 2003. Each Senior Manager who reports directly to the Municipal Manager are delegated the functions which the Municipal Manager may delegate to them and are responsible for all those matters delegated to them including financial management as well as discipline and capacitating of officials within their areas of responsibility and compliance to all legislation governing Local Government, its policies and By-laws.

The Senior Managers forms the Senior Management Team and they are all accountable to the Municipal Manager in terms of strategic management and oversight of their departments. All budget expenditures in each department are managed by the Senior Manager in order to ensure that service delivery matters are handled promptly.

Designation	Function
<b>Municipal Manager</b>	<p>Forming and developing an economic, efficient and accountable administration;</p> <p>Implementing and managing the District Municipality's performance management system;</p> <p>Coordinating and implementing the District Municipality's IDP;</p> <p>Managing the Municipality's administration in accordance with the Constitution, the Local Government Structures Act, the Municipal Systems Act, the Municipal Finance Management Act and all other national and provincial legislation applicable to the District Municipality;</p> <p>Managing provision of services to the local community in a sustainable and equitable manner;</p> <p>Facilitating participation of the local community in the affairs of the District Municipality;</p> <p>Developing and maintaining a system to assess community satisfaction with Municipal Services;</p> <p>Appointing, managing, effectively utilizing and training staff and maintaining staff discipline;</p> <p>Promoting sound labour relations and compliance by the District Municipality with applicable labour legislation;</p> <p>Advising political structures and political office bearers of the District Municipality, managing communications between them, administering, implementing council resolutions and carrying out their decisions;</p> <p>Administering and implementing the District Municipality's by-laws and other legislation;</p> <p>Being responsible for all income and expenditure of the District Municipality, all assets, the discharge of all liabilities of the District Municipality and proper and diligent compliance with applicable Municipal Finance Management legislation.</p> <p>Implementing strategic goals of the District Municipality through co-operation and innovative</p>
<b>Chief Financial Officer</b>	<p>Reporting directly to the Municipal Manager on key departmental activities. Overall management of the Budget &amp; Treasury Office/Department. Implement the Integrated Development Plan (IDP) as well as strategic goals of the Budget &amp; Treasury Office/Department.</p> <p>Implement departmental Service Delivery Budget Implementation Plan (SDBIP).</p> <p>Develop and implement key strategic / business plans including Supply Chain Management, Revenue Management, Expenditure Management and Budget &amp; Reporting.</p> <p>Prepare and implement municipal budget.</p> <p>Prepare Annual Financial Statements and other mandatory financial management reports.</p> <p>Manage Departmental budget, human resources &amp; other resources in accordance with local government legislation;</p>

Designation	Function
	<p>Establish, operate and maintain support structures, processes and systems; Direct and control key deliverables and outcomes for the department; Liaise with internal and external stakeholders;</p> <p>Facilitate stakeholder participation and involvement;</p> <p>Ensure legislative, regulatory, policy, practices and operating standards compliance;</p> <p>Management and monitoring of all income, expenditure, assets and Liabilities; Cash-flow management;</p> <p>Ensure implementation of GAMAP &amp; GRAP Standards;</p> <p>Ensure the development of appropriate Strategies, Policies and plans for all relevant areas in the Department linked to the IDP and that will also have a measurable positive impact on the financial performance;</p> <p>Develop and implement Supply Chain Management Policy, specific procedures, systems and controls;</p> <p>Ensure timely preparation of Budget and Financial Statements; Implement all financial policies and ensure they comply with applicable legislation and National Treasury Regulations.</p>
<p><b>Engineering &amp; Technical Service</b></p>	<p>To manage the Engineering, PMU and Town Planning Department of the municipality.</p> <p>Assist the CFO to compile annual projects budgets</p> <p>To assist the Council to draw up and implement annual strategic plans</p> <p>To ensure compliance by all Water Service Providers</p> <p>Ensure water and sewer effluent quality compliance to adhere to the Department of Water Affairs (DWA) Blue Drop and Green Drop requirements respectively.</p> <p>Ensure implementation of the council Free Basic Services (FBS) Policy.</p> <p>Ensures that all required licensing and permitting of all raw water abstraction and sewer effluent will be done and upheld.</p> <p>Ensure that Water Service development Plan (WSDP), By-Laws and tariffs are regularly updated.</p> <p>Approve technical reports of water, sanitation and roads projects in alignment with respective Municipal IDP's and Regional provincial Growth and Development Plan.</p> <p>Ensure that all projects are implemented using the EPWP principles.</p> <p>Ensures compliance to all legal aspects and conditions, required from different spheres of Government.</p> <p>Manage all contract administration of all projects implemented by council.</p> <p>Manage and control the approved budget of engineering department.</p> <p>Be prepared to serve on the Bid Adjudication Committee or Bid Evaluation Committee as and when required by the Municipal Manager.</p> <p>Maintain Project Performance data on a National Database.</p>
<p><b>Snr Manager: Corporate Service</b></p>	<p>Managing and controlling various line functions within the Directorate which include general administration, Human Resources, Council Support, Corporate strategy, Information Technology and Communications, and Security Services;</p> <p>Leading, directing and managing staff within the Department so that they are able to meet their objectives;</p> <p>Staff control and discipline;</p> <p>Rendering Support by advising and overseeing all matters of procedures relating</p>

Designation	Function
	<p>to minutes and resolutions of the Council Committees;</p> <p>Planning, organising, coordinating and controlling the activities of management and administration section;</p> <p>Providing administrative support to political Office-bearers;</p> <p>Managing and controlling the compilation and execution of the departmental capital and operating budget;</p> <p>Executing any function delegated by the municipal Manager in terms of powers and delegations in the relevant legislation and related to the functions of this post;</p> <p>Administering records/archives registry, skills development, legal matters and employment Equity;</p> <p>Overseeing the execution of the IDP Programmes attached to the Department and monitoring individual performance management;</p> <p>Developing, implementing Collective Agreements and managing strategic goals, policies, procedures and plans; aligned with strategic goals of the district municipality through cooperation and innovation teamwork;</p> <p>Ensuring proper administration of Council delegation System;</p> <p>Providing secretarial services to Council and its Committees</p>

<p><b>Chief Audit Executive</b></p>	<p>Establish policies and procedures for the District Internal Audit Shared Services, manage audits and administrative functions in the District Municipality and its Locals; Ensure that all Local Municipalities within the district comply with the relevant legislation;</p> <p>Manage the compilation of the strategic and annual plans in relation to the IDP,</p> <p>Perform continuous risk assessment for the entire district;</p> <p>Conduct special investigations at the request of management and municipal councils of respective municipalities;</p> <p>Report to the Municipal Managers and Shared Service Audit Committee; Audit projects and performance of the district municipality and its locals;</p> <p>Assist municipalities in the implementation and upgrading of internal controls for quality assurance,</p> <p>Liaison at executive level with relevant stakeholders;</p> <p>Manage the directorate budget planning, implementation and budget review to support priorities and the deliverables.</p>
<p><b>Snr Manager EDTA</b></p>	<p>Promotion of Local Economic Development and Agricultural organizations, Promote and market tourism attraction centers</p>
	<p>Tourism establishments as well as communities in the district to implement and manage development oriented, achievement driven community projects in an affordable, sustainable and accountable manner.</p> <p>Manage departmental personnel;</p> <p>Develop and manage LED, Agricultural and Tourism strategies in line with DGDS, PGDS, NSGS, ASSGISA and JIPSA. Prepare and submit reports on EDTA department's Service Delivery and Budget Implementation Plan (SDBIP). Implement adequate community participation strategies,</p> <p>Source advisory services from economic advisory bodies and link them with SMMEs and community organizations.</p> <p>Maintain and improve current service delivery mechanism.</p> <p>Source funding for economic development projects through donors and investors.</p>

Designation	Function
	Facilitate partnerships between investors, donors and business community in the district.
<b>Snr Manager: Community Service</b>	<p>To provide strategic management and leadership to the Department that includes, Municipal Health Services, Disaster Management and Fire Fighting services to the entire district;</p> <p>Ensure co-ordination, integration and uninterrupted provision of Community Services;</p> <p>Integrate service delivery in the context of Council's IDP and oversee implementation;</p> <p>Participate in the IDP, SDBIP and Budget processes of the district municipality;</p> <p>Establishing a partnership with Governmental and non-Governmental stakeholders/role players dealing with environmental health, fire and public disasters;</p> <p>Manage the directorate budget planning, implementation and budget review to support priorities and the deliverables; update Council's by-laws and relevant policies.</p>



## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Chapter three of the Constitution of the Republic of South of 1996 is an overarching legislative tool used to guide and provide detailed pieces of legislation like Municipal Systems Act, section 3, Municipal Structures Act, section 88 and the Intergovernmental Relations Framework Act, Act 13 of 2005. All spheres of government must observe and adhere to the principles of chapter three of the Constitution and must conduct their activities within the parameters that the chapter provides.

Section 41(1) (h), require the spheres of government to co-operative with one another in mutual interest and good faith by: -

- Fostering friendly relations
- Assisting and supporting one another
- Informing one another of, and consulting one another on matters of common interest
- Coordinating their actions and legislation with one another
- Adherer to the agreed procedures and
- Avoiding legal proceedings against one another.

The above legislative requirements are binding to the three spheres to enable government to provide sustainable basic services to communities as outlined in the following legal developmental documents:

- National Development Plan (NDP)
- Provincial Development Plan (PDP) and the
- Integrated Development Plan (IDP).

The legislative mandate of Dr Ruth Segomotsi Mompati District Municipality in terms of powers and functions is mainly provision of Water and Sanitation to the community of the District. Our key focus mostly is to mobilise resources across the three spheres of government and private sector to provide the service and support to our family local municipalities. The Municipality has been participating in relevant Intergovernmental Relations structures across the spheres of government including reporting on "Back to Basics".

Government has a responsibility to provide sustainable service delivery to its communities for purposes of creating a "better life for all" as guided by the manifesto of the ruling party, the African National Congress. The division of powers and functions across the three spheres of government provide/allocate each sphere with a set of services/functions to perform, guided by chapter three of the Constitution which deals with Co-operative Governance and Intergovernmental Relations. Central to all these services is that they are provided to communities in a certain local municipality. This means the three spheres of governmental are serving the same client (the community).

The National Development Plan, vision 2030 (NDP) is a guiding national developmental framework form which the development of the Provincial Development Plan (PDP) and Municipal Integrated Development Plan (IDP) are expected to complement and translate into practical implementation in the form of sustainable service delivery to communities. The three spheres of government are required to

**Achieve the below twelve (12) outcomes accordingly in line with their powers and functions as derived from the NDP:-**

- Improve quality of basic education.
- Long healthy life for all South Africans.
- All people in South Africa are and feel safe.
- Decent employment through inclusive economic growth.
- A skilled and capable workforce to support an inclusive growth path.
- An efficient, competitive and responsive economic infrastructure network.
- Vibrant, equitable and sustainable rural communities with food security for all.
- Sustainable human settlement and improved quality of household life.
- A responsive, accountable effective and efficient local government system.
- Environmental assets and natural resources that are well protected and continually enhanced.
- Create a better South Africa and contribute to a better and safer Africa and World.
- An efficient, effective and development oriented public service and empowered fair and inclusive citizenship.

For the above services to be enjoyed by communities' co-operative governance and intergovernmental relations must be observed and complied with by three spheres. In addition, section 154(1) of the Constitution of the republic assures municipalities that national and provincial governments by legislative and other measures, MUST support and strengthen the capacity of municipalities to manage their affairs, to exercise their powers and to perform their functions. In exercising its executive and legislative authority within the constitutional system of co-operative governance as envisaged in the Constitution section 41 and section 3 of the Municipal Structures Act, the Dr. Ruth Segomotsi Mompati District Municipality have been fully participating in all Intergovernmental Relations platforms across the three sphere as further outlined below.

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## 2.3 INTERGOVERNMENTAL RELATIONS

The National Development Plan, vision 2030 (NDP) is a guiding national developmental framework from which the development of the Provincial Development Plan (PDP) and Municipal Integrated Development Plan (IDP) are expected to complement and translate into practical implementation in the form of sustainable service delivery to communities. The three spheres of government are required to achieve the objectives of the NDP, PDP and the IDP of municipalities in the country to better the life of the community. The current sixth administration in support to the NDP, PDP and the IDP of municipalities introduced a comprehensive approach to deal with silo planning and implementation of government programs by introducing the District Development Model (DDM) “One Plan” which Dr. Ruth Segomotsi Mompati District is fully engaging its stakeholders to fulfill the cabinet decision as announced by the President of the country His Excellency President Matamela Cyril Ramaphosa.

For the above services to be enjoyed by communities’ co-operative governance and intergovernmental relations must be observed and complied with by three spheres. In addition section 154(1) of the Constitution of the republic assures municipalities that national and provincial governments by legislative and other measures MUST support and strengthen the capacity of municipalities to manage their affairs, to exercise their powers and to perform their functions. In exercising its executive and legislative authority within the constitutional system of co-operative governance as envisaged in the Constitution section 41 and section 3 of the Municipal Structures Act, the Dr. Ruth Segomotsi Mompati District Municipality have been fully participating in all Intergovernmental Relations platforms across the three sphere.

## **NATIONAL INTERGOVERNMENTAL STRUCTURES**

Co-operative Governance and Intergovernmental Relations protocol required the three spheres of government to work as a team and always be in consultation with each other for purpose of alignment of government plans and priorities. The deployment of both Deputy Ministers of Home Affairs and Environment, Forestry and Fisheries as DDM champions, created a conducive platform and environment for government developmental plans and programs to be well-coordinated, implemented, monitored and evaluated. The political will of the DDM champions in the District is an indication that Dr. Ruth Mompoti District Municipality.

The country went under national lockdown in the last two years as a result of the COVID-19 Worldwide pandemic and now after setting aside lockdown regulations, the District is steadily re-positioning itself to revive economic activities through IGR. For Dr. Ruth Segomotsi Mompoti District, there is an active technical and political DDM structures which always have engagement sessions with other spheres of government and institution led by national DDM champions in a quest to re-imagine and re-position the economic activities in the District. Through IGR the current 2022-2027 five year IDP document does have an annexure of the DDM catalytic projects for major shift in infrastructure to create job opportunities. The District is currently participating at national IGR structures through the deployed DDM champions. Cabinet and parliament got presentations through DDM champions. It must be indicated that this District due to its best practice on DDM, it is used as a case study at national level.

## **PROVINCIAL INTERGOVERNMENTAL STRUCTURE**

With the following departments of the Dr. Ruth Segomotsi Mompati District, Engineering, Budget and Treasury, Community Services, Economic Development, Tourism and Agriculture, Planning and Development, Cooperate Services and Internal Audit the District have been participating in the provincial intergovernmental relations structures to ensure that communities in the district does receive services as required and mandated by legislation at administrative level.

It must be noted that since the national lockdown of the country as a result of COVID-19 Pandemic, co-operative governance and intergovernmental relations (IGR) activities have been extended by the establishment of the command councils across the three spheres of government. The interaction between the district and the province as one of the spheres has tremendously improved and support in a number of activities have been provided by provincial departments to the communities of the district.

One can mention the vaccination program that has swept the District and convincing number of people across age group managed to vaccinate. Strengthening of IGR through DDM has also contributed positively in the coordination of government activities in the District. DDM meetings have been held almost monthly and service delivery blitz have been rendered throughout the District.

## **DISTRICT INTERGOVERNMENTAL STRUCTURES**

The District Development Model (DDM) as announced by President Cyril Ramaphosa for the sixth administration assisted in unlocking development bottlenecks and embedding monitoring and evaluation at the local instead of provincial and national government departments. As one of the forty-four (44) in the country, the District has already started the process with the involvement of all stakeholders in the district by submitting information on profiling as the first phase of developing one plan.

Currently the District managed to develop the DDM One Plan wherein local municipalities and sector departments fully participated with the support of officials from offices of the both deputy ministers of Home Affairs and Environment, Fisheries and Forestry. IGR structures in the District have been participating in this process for the year under review. Below table indicate a true reflection of the participation of the IGR structures in the District to change the life of its community.

That with all the challenges faced by IGR in the district, attempts are made to have IGR meetings as required. It must also be noted that the 2020/2021 financial year has been one of the challenging period caused by the COVID-19 pandemic. Most of the meetings were later held on virtual platform. As indicated above in between these meetings, service delivery blitz where all departments will converge in a particular municipality especially in rural areas to provide all basic services of government departments like, Home Affairs, Social Development, SASSA, Agriculture, SAPS, local and District Municipalities to mention but few.

The District IGR structures were unfunctional in the 2021 2022 financial year

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### Overview

Community participation in local government affairs gives expression to the democratic principles and values of our Constitution and the political rights of the individual as entrenched in section 19 of the Constitution of the Republic of South Africa, 1996.

The Municipal Council encourages participation of the community and community organizations in local government matters and adheres to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration.

Public participation is a principle that is accepted by all spheres of government in South Africa. Participation is important to make sure that government addresses the real needs of communities in the most appropriate way.

Public participation also helps to build an informed and responsible citizenry with a sense of ownership of government developments and projects. It allows municipalities to get buy-in and to develop partnerships with stakeholders.

The Municipal Council encourages participation of the community and community organizations in the local government matters and to adhere to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration through:

- The preparation, implementation and review of the IDP
- Establishment, implementation and review of performance management system
- Monitoring and review of the performance, including the outcomes and impact of such performance and preparation of the municipal budget.

**COMMUNICATION, PARTICIPATION AND FORUMS**

**COMMUNICATIONS**

Communication is a two-way process in which there is an exchange of thoughts, opinions, or information by speech, writing, or symbols towards a mutually accepted goal or outcome. "Purpose of effective communication is sustaining the on-going work with maximum efficiency" Communication will help build good relationships with team members, sponsors, and other key stakeholders, to increase the likelihood of project or any activity success.

The Council also responds to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums and other intergovernmental Forums established by different departments within Dr Ruth S Mompoti District Municipality.

The Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers, using three predominant official languages of Setswana, Afrikaans and English. From time to time the municipality makes use of radio broadcast to spread service delivery-oriented messages to communities. The Municipal Council also engages the community through consultation in matters such as the IDP, budget, performance management, provision of services etc.

A key part of the municipality's annual plans should be how to communicate all this to the people and how to involve them in decisions or as partners. The municipality has developed public participation (where is the strategy?) and communication strategies. The municipality has developed the Communications Strategy that needs to be reviewed on annual basis in order to communicate and reach all citizens of the region. . The empowerment of Unit employees is very crucial taking into consideration that the environment in which they operate in is not statics but always changing with government transitional periods. E.g there are always reviews on government policies and programmes, though communicators must know and understand that before it being communicated to the public.

Both strategies take into consideration the approved IDP, MTREF Budget and the SDBIP and set out where and how communication and public participation should play a role to ensure that information is disseminated effectively to the public. The communication strategy is used to ensure that the Council provides regular report back and accounts to the communities about Council's decisions, plans and budgets. It ensures that the public is informed about new services, developments and policies and as such provides a platform for the communities to be partners for the delivery of government services.

The District Municipality has established the District Communicators Forum and Local Communicators Forums. As we are no more living in analog age but on digital world, the District Municipality must exploit every opportunity to communicate with the public by utilizing social media. Social Media is a good tool that can be used to convey important information to all stakeholders and it must be noted that updates should be done regularly. The District Municipality's Facebook page is "Dr RSM District Municipality."



On corporate identity and branding, there is a need for bigger budget in order to undertake the branding of the entire District Municipality Offices.

Our current communication initiatives are our News Updates which covers the programmes and projects undertaken by the District Municipality. As the News Updates are on Web page format the Unit design and issue them at least twice a month in order to replace the previously launched the District Municipality External Newsletters issued twice a year.

The District Municipality has established the Communicators Forum and Editors Forum. Our current communication initiatives are our external newsletters issued twice a year and internal issued twice a year. There are also Executive Mayoral outreach programmes where the Executive Mayor in his capacity visits communities to listen to their needs and challenges they are encountering in their different villages. We have also hosted the District Budget Speech Address where all stakeholders attended and commented in the budget speech. The benefit of these processes is to provide Executive Mayor, Councillors and administrative arm with an opportunity to interact with communities so as make informed decisions.

The council also respond to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums. The Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers using three predominant officials' languages of Setswana, Afrikaans and English. From time to time the municipality make use of radio broadcast to spread service delivery-oriented messages to the community

To strengthen and heighten the communications between the Municipality and the public, the District Municipality Communications has given a task to communicate more and often on municipal owned billboards in order to attract tourists who usually pass within the district. The District Municipality's website ([www.drsmdm.gov.za](http://www.drsmdm.gov.za)) is up and running, reaching more internal and external stakeholders.

## **WARD COMMITTEES**

Ward Committees are managed by respective Local Municipalities and the District Municipality assist in coordinating trainings to the Ward Committees. A Ward Committee is established in each ward in order to assist and advise Ward Councillor with regard to service delivery matters and further improve public participation. Ward Committees are mainly advisory committees which can make recommendations on any matter affecting the ward within a municipality. The Municipal Council makes the rules that guide Ward Committee Members, how often should meetings be held and the circumstances under which a member of a Ward Committee can be removed.

The purpose of a Ward Committee is to:

- Get public participation from the community in order to inform council decision making,
- Make sure that there is more effective communication between the council and the community,
- Assist the ward councillor with consultation and report-back to the community and
- Advise the ward councillor on service delivery and developmental projects in the community.

### **Structure of Ward Committee:**

A Ward Committee consists of a Ward Councillor as elected in the local government elections and a maximum of 10 people from the Ward who are elected by the community they serve. The Councillor is the Chairperson of the Ward Committee. Members of the Ward Committee must participate as volunteers and are only getting stipends.

### **Roles and Responsibility of the District Municipality**

The District Municipality has to play its legislative role in supporting and monitoring the Ward Committees through the Office of the District Speaker.

### **List of Local Municipalities**

1. Kagisano Molopo Local Municipality - 15 wards
2. Naledi Local Municipality – 10 wards
3. Lekwa-Taemane Local Municipality – 08 wards
4. Mamusa Local Municipality – 9 wards
5. Greater Taung Local Municipality – 24 wards

## 2.5 IDP PARTICIPATION AND ALIGNMENT

<b>IDP Participation and Alignment Criteria*</b>	<b>Yes/No</b>
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

### **Participation is one of the cornerstones of our democracy and has equal benefits for politicians, officials and civil society:**

1. Consultation will help council make more appropriate decisions based on the real needs of people.
2. The more informed people are, the better they will understand what government is trying to do and what the budget and resource limitations are.
3. Councillors can only claim to be accountable if they have regular interactions with the people they represent and if they consult and report back on key council decisions.
4. Government cannot address all the development needs on its own and partnerships are needed with communities, civil society and business to improve service delivery and development.

### **2020/2021 ANNUAL REPORT IDP PROCESSES**

**Our District comprise of five families of local municipalities namely:-**

<b>Municipality</b>	<b>Number of wards</b>
Greater Taung Local Municipality	24
Kagisano-Molopo Local Municipality	15
Naledi Local Municipality	10
Mamusa Local Municipality	09
Lekwa-Teemane Local Municipality	08

### **Meetings of the IDP**

IDP steering committee meetings were held in line with the IDP process plan to prepare for the IDP review process and preparations for the following financial year. As required by the process plan stakeholder consultations were conducted throughout the District despite COVID-19 pandemic. The District decentralized the program by clustering local municipalities during its District –Wide IDP representative form meetings. A joint District IGR and IDP meetings were held on the 19<sup>th</sup> May 2021 for Kagisano-Molopo and Naledi local Municipalities and the 20<sup>th</sup> May 2021 for Mamusa, Lekwa-Teemane and Greater Taung Local Municipalities, wherein sector departments were invited to present to local municipalities on progress made and future plans.

The outcome of the above processes led by the Executive and the Speaker were presented to council as part of the adoption of the IDP review process and or adoption for the following financial year as required by leg

The Municipality has fully complied with the aforesaid development planning prescripts. The 2021/22 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2021/2022 IDP.

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.

The Planning & Development is responsible to ensure that there is efficient and effective compliance with legislative imperatives such as IDP, Public Participation, PMS and other applicable laws. In addition, they perform strategic planning, facilitation, reporting and provide advice and support internally and externally which in most cases is demand-driven.

Section 27 (1) & (2) of the Municipal Systems Act Mandates District Municipality to adopt a framework for Integrated Development Planning that binds both the District and the local municipalities in the area of the district municipality as a whole;

Section 28 of the Municipal Systems Act mandates municipal council to adopt a process set out in writing to guide the planning, drafting, adoption and review of municipal integrated development plan (IDP); and Section 21 of the MFMA mandates municipalities to prepare time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget and the annual review of the IDP.

The Municipality has fully complied with the aforesaid development planning prescripts. The 2021/22 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2021/2022 IDP.

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.

## PLANNING

### Town & Regional Planning

The Unit is responsible for Spatial Planning in line with Chapter 4 of the Spatial Planning and Land Use Management Act (SPLUMA), Act 16 of 2013 along with providing support to constituent local municipalities with the implementation of SPLUMA.

The Municipality reviewed its Spatial Development Framework in the 2021/22 financial year.

The Unit also includes a Geographic Information Systems (GIS) section which is responsible for storing spatial information within the Municipality and assist in surveying of completed infrastructure projects. In the past financial year 2021/22 the played an active role in assisting the Office of the Premier with the development of a provincial GIS Strategy.

The Dr Ruth Segomotsi Mompati District Municipality (herein referred to as the District or DRSM) is a Category C municipality located in the North West Province and it comprises the following local municipalities:

- Naledi Local Municipality,
- Greater Taung Local Municipality,
- Kagisano-Molopo Municipality,
- Mamusa Local Municipality, and
- Lekwa-Teemane Local Municipality

The District is predominantly rural with a population that is situated in more than 470 villages and towns dispersed in a 250km radius (approximately 50km north to south and 200km east to west).

- Amalia
- Bloemhof
- Christiana
- Piet Plessis
- Pomfret
- Pudimoe
- Reivilo
- Schweizer-Reneke
- Stella
- Taung, and
- Vryburg

### Integrated Development Planning

The IDP unit is responsible for ensuring compliance with implementation of Chapter 5 of the Systems Act, especially compliance with Section 25 by identifying with the key deliverables and immediate goals detailed in the Council's IDP in respect of the communication, investment, tourism and agricultural dimensions of local economic development.

#### Performance Management System

The PMS Unit was responsible for the implementation of PMS in line with the Municipal Systems Act (MSA) 2000 which requires municipalities to establish a performance management system, the Municipal Finance Management Act (MFMA) which requires that the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP). The following were achieved during the financial year

- The Executive Mayor approved the SDBIP within 28 days of adoption of budget as legislated
- The Municipal Manager and Manager reporting directly to Municipal Manager (Section 56 Managers) their performance agreements.
- Two Quarterly review sessions were held and four Quarterly reports were done as required during the financial year. islation.

**ANNUAL REPORT 2021-2022 ON SPECIAL PROGRAMS**

<b>PROGRAMME</b>	<b>DELIVERABLE</b>	<b>OUTPUT</b>	<b>DATE OF ACTIVITY</b>	<b>MUNICIPALITY/ AREA</b>	<b>CHALLENGES</b>	<b>REMEDIAL ACTION</b>
Older Persons	Strengthen and support Older Persons Programmes	15 Older persons Forum members attended Annual General Meeting and Workshop conducted by the Legislature	21 October 2020	Districtwide (Venue was Kismet Community Hall)	None	None
HIV AND AIDS	Commemoration of 2020 World Aids day in the fight against HIV and show support for those who are infected and affected.	100 AIDS Council Members: including different sectors of Civil Society, The Executive Mayor, and some of the Regional Heads of Departments, attended 2020 World Aids Day District Event at Naledi LM Theater.	01 December 2020	District	Zoom video links to Provincial and National Aids Day events was unsuccessful due to network failure.	Advise the Province to strengthen the streaming service/devise.
Youth Empowerment	Capacity building & Skills Development for Youth	In Partnership with Department of Economic Development, Environmental Conservation and Tourism: 20 young people were trained on Record keeping. Of the 20 youth participated, 5 were youth with disabilities- Certifications were issued.	23-26 February 2021	Naledi LM (41 on Market)	None	None

	Youth Empowerment and Poverty Alleviation	Facilitated donation of 22 Food Parcels to Youth in Greater Taung- Donated by Department of Military Veterans	24 October 2020	Greater Taung LM	None	None
Military Veterans	Profiling of Military Veterans	A Database was created for 192 Military Veterans who were profiled across the District	February 2021	DR RSM DM	None	None
	Strengthening and support of District Military Veterans Forum	Military Veterans Regional Executive Committee meetings were held	September 2020 October 2020 November 2020	Districtwide	None	None
Persons with Disabilities	Establishment and strengthening of Forums	District Disability Forum Quarterly Meeting was held	30 September 2021	Bloemhof	None	None

<p>Economic Empowerment and Job Creation</p>	<p>Partnership with Department of Public Works &amp; Roads  -75 Persons with Disabilities without matric and 50 with matric were identified through the District Disability Forum for possible placement on EPWP.</p> <p>30 persons with disabilities without matric were placed in different projects across the district from 01 March 2021</p> <p>Induction workshops were conducted for placed persons with disabilities:  -19 April 2021: Mamusa and Greater Taung Local Municipalities</p>	<p>November 2020</p> <p>March 2021</p>	<p>Districtwide</p> <p>Districtwide</p>	<p>Most of persons with disabilities have not completed matric</p> <p>Department of Public Works experienced challenges in placing those who matriculated on learnership due to Covid 19 and spacing</p>	<p>To look at the possibility of partnering with Department of Education and Skills Development sectors for intervention</p> <p>None</p>
<p>Addressing Social Challenges faced by Vulnerable Families</p>	<p>Assisted with the burial of a homeless person with disability ( Payment of coffin and burial services)</p>	<p>August 2021</p>	<p>Vryburg Cemetery</p>	<p>None</p>	<p>None</p>



	Sports and Recreation	40 people with Disabilities in the district (including District Forum members) attended Provincial Disability Sports Summit which took place in Mmabana Taung, hosted by MEC	21 November 2020	Districtwide	None	None
	Profiling of Persons with Disabilities across the District	Profiling Template for Persons with Disabilities has been developed	November 2020	Dr. RSM DM	None	None
Children Services	Advocating for the protection and rights of children	<p>Psychosocial services were rendered to bereaved family of abused and murdered toddler -Support in the form of grocery for funeral was also given</p> <p>Psychosocial support services were rendered to a family that lost both parents through car accident with the aim of assisting with burial needs</p>	<p>23 September 2021</p> <p>11 March 2021</p>	<p>Bloemhof</p> <p>Bloemhof</p>	<p>None</p> <p>Forensic Investigations are not yet completed and burial did not take place yet.</p>	<p>None</p> <p>Conduct another visit while also awaiting finalisation of forensic investigations for further support</p>
Homelessness Programme	Protecting and advocating for the rights of vulnerable families	4 X temporary shelters and 4 toilets were handed over to families that were homeless	14 December 2020	Ext. 28, Colourblock	None	None

## OVERVIEW OF CORPORATE GOVERNANCE

Cooperative governance is the set of processes, practices, policies, laws and stakeholder affecting the way an institution is directed, administered or controlled. Corporate Governance also includes the relationship among the many stakeholders involved and the goals for the institution is governed and is also governed by King iv Code of Practice applicable to local government sphere.

### 2.6 RISK MANAGEMENT

#### ***Risk Governance***

The Dr. Ruth S. Mompoti District Municipality has adopted the Risk Management Manual 2019/2020 on 12 March 2020 which consists of the Risk Management Framework, Policy, Strategy and Committee Charter. This forms the uniformed standard to be used in all Municipalities within the District.

The Dr. Ruth S. Mompoti District Municipality has adopted the Fraud Prevention Manual 2019/2020 on 12 March 2020 which consists of the Fraud and Anti-Corruption Policy, Fraud Prevention Plan, Anti-Corruption Strategy, Whistleblowing Policy and Ethics Policy and Committee Charter. This forms the uniformed standard to be used in all Municipalities within the District.

The Dr. Ruth Segomotsi Mompoti District Municipality's Risk Management Unit is a Shared Services which renders support for Risk Management in terms of Section 88 of the Municipal Systems Act, 32 of 2000 to all Municipalities within the District jurisdiction. The Shared Services was adopted and became functional in 2015/2016.

The Risk Management Unit facilitates and co-ordinate with the Management team (Section 56 and Unit Managers) to review the risk register annually and update this risk registers quarterly and develops a risk management strategy to direct the institution's risk management priorities. The Risk Registers are aligned to each Department's Key Performance Targets.

Line/Unit management are responsible for identifying, evaluating and managing both risks and opportunities in their responsibility areas, with technical and operational support provided by the Risk Management Unit.

The Risk Management Unit also maintains the consolidated Institutional Risk Register and reports thereon. The District Risk Management, Fraud and Anti-Corruption Committee was launched in August 2015 and serves as a District Forum. The Risk Management, Fraud and Anti-Corruption Committee provides governance oversight over the entire system of risk management and furnishes the Audit and Performance Committee, the Accounting Officer and Council with reports of its findings and recommendations. The Risk Management, Fraud and Anti-Corruption Committee provides independent oversight over the system of risk management.

#### ***Risk Management Fraud and Anti-Corruption Committee***

##### ***Risk management process***

During the period under review, Dr. Ruth S. Mompoti District Municipality compiled an assessment register on Institutional Strategic Risks 2021/2022, before end of May 2021.

The Risk Assessment based on the Departmental was facilitated and co-ordinated before end of June 2021. The first (Departmental) updated of the Risk Registers was conducted before end September 2021. The second (Departmental) updated of the Risk Registers was conducted before end of December 2021 and the third (Departmental) updated of the Risk Registers was conducted before end of March 2021.

Both internal and external conditions that may impede the achievement of the goals expressed in the strategic plans were identified and evaluated. Based on the registers the Risk Management Unit compiled the Risk Management Report containing a strategy to manage the factors, which absent a deliberate and conscious strategy to manage them, could increase the institution's risk profile.

The Dr. Ruth Segomotsi Mompoti District Municipality internal audit plan included audits designed to test the adequacy, effectiveness and economy of the internal control systems to counteract the effects of the significant risk factors.

**Impact on institutional performance**

During the period under review, Dr. Ruth Segomotsi Mompoti District Municipality’s Risk Management Fraud and Anti-Corruption Committee and Risk Management unit assessed the effectiveness of its system of risk management.

The areas requiring improvement are receiving the required attention. The Dr. Ruth S. Mompoti District Municipality risk management efforts are contributing positively Municipality performance. On a residual basis, meaning that after mitigating actions were taken, Dr. Ruth S. Mompoti District Municipality risk profile based on the main categories of risk is as follows:

No.	Area	Inherent	Status	Residual	Status
1	Institutional Strategic Risk	25	Maximum	23	Maximum
2	Engineering	No submission	No submission	No submission	No submission
3	Corporate Services	22	Maximum	18	Maximum
4	EDTA	24	Maximum	16	Maximum
5	Planning and Development	21	Maximum	18	Maximum
6	Budget and Treasury Office	21	Maximum	14	High
7	Internal Audit	16	High	13	High
8	Community Services	25	Maximum	19	Maximum
9	Office of the MM	25	Maximum	22	Maximum

**No Submission: No information received from the Risk Owner and/or Department**

**Key:**

	<b>Extreme risk</b>
	<b>High risk</b>
	<b>Moderate risk</b>
	<b>Low risk</b>
	<b>Minimum risk</b>

Dr. Ruth Segomotsi Mompoti District Municipality has established a Risk Management Fraud and Anti-Corruption Committee in terms of the Local Government: Municipal Finance Management Act 56 of 2003. The Risk Management Fraud and Anti-Corruption Committee is guided by the Committee Charter in conjunction with the Public Sector Risk Management Framework from the National Treasury Department and the adopted Risk Management Manual 2019/2020. The committee operates under terms of reference as per adopted Dr. Ruth Segomotsi Mompoti District Risk Management Fraud and Anti-Corruption Charter.

The primary objective of the Risk Management Fraud and Anti-Corruption Committee is to assist the Accounting Officer in discharging his accountability for risk management by reviewing the effectiveness of the Municipality risk management systems, practices and procedures, and providing recommendations for improvement.

The Risk Management Fraud and Anti-Corruption Committee is a district forum with standing members representing each municipality (six) within the Dr. Ruth S. Mompoti District Municipal jurisdiction. The Committee is chaired by an appointed external professional expert who also represents the Risk Management Fraud and Anti-Corruption Committee at the Audit and Performance Committee. The Risk Management Fraud and Anti-Corruption Committee meet on a quarterly basis and the members, as a collective, shall possess the blend of skills, expertise and knowledge of each Municipality, including familiarity with the concepts, principles and practice of risk management, such that they can contribute meaningfully to the advancement of risk management within their respective Municipalities.

The statutory quarterly meetings of the Dr. Ruth S. Mompoti District Municipality Risk Management Fraud and Anti-Corruption Committee (FARMCO) were scheduled as follows:

- a) Risk Management Assessment (Period 1 July – 30 September 2021) held on the 19<sup>th</sup> August 2021;
- b) 1<sup>st</sup> Updated Risk Management Report (Period 1 October – 31 December 2022) held on the 17<sup>th</sup> November 2021 (Meeting did not quorate);
- c) 2<sup>nd</sup> Updated Risk Management Report (Period 1 January – 31 March 2022) held on the 15<sup>th</sup> February 2022 (Meeting did not quorate);
- d) 3<sup>rd</sup> Updated Risk Management Report (Period 1 April – 30 June 2022) held on the 12<sup>th</sup> April 2022 (Meeting did not quorate);

The Chairperson of the Risk Management Fraud and Anti-Corruption Committee (FARMCO) tabled the reports at the Audit and Performance Committee

**Overview**

The SCM Unit is established in terms of Chapter 11 of the MFMA and is operating from a centralized point. Capacitation of the unit is an ongoing process with the main goal being to ensure that all the procurement processes support service delivery. Timeous turnaround times are a priority number one for the SCM Unit, while ensuring adherence to laws and regulations. The SCM unit guides and implements the SCM Policy of council which caters for three (3) bid committees. These bid committees namely, Bid Specifications Committee (BSC), Bid Evaluation Committee (BEC) and Bid Adjudication Committees (BAC) are in place and operated effectively during the year under review. Training of SCM staff and SCM committees was done on a continuous basis.

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## 2.9 BY-LAWS

Dr RSM District Municipality renders the MHS as per requirements of the Constitution of SA/1996. Contitution of the Republic of SA. Act 108 of 1996 section 156 and part B Schedule 4, read with the National Health Act, 61 of 2003 which define Municipal Health Services.

Environmental Health Practitioners of the District are serving the Local Municipalities of the District and are distributed as;

- a) Kagisano Molopo = 4
- b) Naledi = 3
- c) Greater Taung - 4
- d) Mamusa = 3
- e) Lekwa-Teemane =3

DR RSM has received 2 Community Services EHP whom are operating under the supervision of EHP's for the financial year. Inspections at food premises are conducted regularly with some challenges especially on foreign operated business.

Joint inspections are conducted regularly and with assistance of SAPS to enforce business related Acts. The Compliance rate including licensing of business premises is very low due to lack of By-Laws by Local Municipalities and also the LMS do not cooperate in signing the MOU for MHS, with the District.

The District has developed the Generic by-Laws on MHS, they were Public Participated and awaiting adoption by Council and ultimately Gazetting.

### **INTRODUCTION TO COMMUNICATIONS**

Communication is a key strategic service – to ensure that information is widely accessible within the public space, to engage citizens in conversation around critical issues and to empower citizens to participate in not only shaping government policies but also in taking up opportunities that affect their lives. Effective communication can also contribute positively to government endeavours – leading to good governance, improved internal staff and external citizen/stakeholder morale, and contributing towards meeting government’s aims and objectives. It further builds public trust and confidence in the integrity of government and can be used to challenge any negative perceptions that might exist in the public space. In the region, the District Communications uses various platforms and mediums of communication to seek the views of the public, whilst consistently disseminating information on the objectives, programmes, decisions, actions and activities of Dr Ruth Segomotsi Mompati District Municipality. The Communications Unit consists of four (4) officials including manager and is administratively reporting to the accounting officer while politically to the Executive Mayor as the face of the institution.

### **PURPOSE**

The Government Communication and Information System (GCIS), as the custodian of government communications, has drafted Communication Policy to strengthen government communications so as to deliver on its mandate. The Government communication including the District Municipality Communications is driven by democratic principles of openness and participation, and is guided by the basic principles of:

- transparency
- accountability
- consultation

It gives an overview of the entire operation in order to analyse the strength, weaknesses, opportunities and threats. It is very much important to know and understand the Communications key performance areas in order to advise and support. Building a good reputation of the institution is crucial for the enhancement of service delivery and it is in this regard that the report outlines challenges and achievements, taking into consideration the general recommendations.

## COMMUNICATIONS OBJECTIVES

- To establish and maintain a positive relationship and mutual understanding between the Dr Ruth Segomotsi Mompoti District Municipality and all its stakeholders.
- Solicit a uniform message about service delivery in a professional manner to educate stakeholders.
- To present Communication plan to the Municipal Manager or accounting officer and council.
- Development and implementation of approved Communication policy and strategy
- To cover and gather the district information on emergency situations by conducting the environmental scanning for interviews purpose.
- To sensitize the political leadership and management of Dr Ruth Segomotsi Mompoti District Municipality on the entire communication implications within the institution.
- Unit's task is to profile the Executive Mayor as the head of the institution and to communicate the programmes and projects of municipality to internal and external stakeholders while enhancing the reputation.

## COMMUNICATION CHALLENGES

- It is very crucial taking into consideration that the environment in which communicators operate in is not static but always changing with government transitional periods and limited budget as well as the lack of resources, particularly financial and tools of the trade play critical role on taking communications to the greatest heights.
- For corporate identity and branding, there is a need for bigger budget in order to undertake the branding of the entire District Municipality Offices including the four (4) billboards owned by the District Municipality.

## DISTRICT MUNICIPALITY'S ACHIEVEMENTS

- As the world is no more living in analog age but on digital, the District Municipality has joined the global arena by exploiting every opportunity to communicate with the public by utilizing social media and other platforms. Social Media is a good tool that can be used to convey important information to all stakeholders and it must be noted that updates should be done regularly. The District Municipality's Facebook page is "**Dr RSM District Municipality.**"
- The installation of flat LCD TV screen at the Municipal reception to play all recorded video clips of district events. The District Newsletter has been issued as planned on bi-annual basis. Only one newsletter has been issued and coupled with monthly electronic news update to internal and external stakeholders.
- The District Municipality events video have been captured and edited for both internal and external stakeholders.
- The new approved NDP2030 branding material have been procured for the District Municipality including the implementation of the NDP2030 letterhead.
- The District Municipality's website has been re-designed for the better look but it seems to be problematic sometimes to access it due to incapacity of service provider.
- A functional website is regularly updated and running



## **CONCLUSION**

In conclusion, a successful communication creates enormous benefits for the municipality and its stakeholders. Effective communication reaps incredibly positive results like greater employee commitment, staff involvement, morale boosting and stronger stakeholder loyalty.

Government's communication strategy is drafted every five years and updated once a year to ensure that all communicators operate from a developmental communication paradigm in the district.

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### **2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES**

No public satisfaction survey conducted in the 2021/2022 financial year

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### INTRODUCTION

The Dr Ruth Segomotsi Mompati District Municipality is fulfilling its mandate as a Water Service Authority by ensuring that basic water and sanitation services are delivered to its communities in the entire district. Most of service delivery needs by communities are captured through regular IDP and budget roadshows which form part of the Water Services Delivery Plan. In these public participation engagements, more challenges with regard to inadequate bulk and internal water were identified. The ever-increasing demand to cater for the new housing development and extension of villages is a reality and the district is bracing itself to conquer this battle.

Ensuring that the district is not overwhelmed by service delivery needs, more work was done in sourcing funding from the Department of Water and Sanitation by submitting business plans on new water and sanitation reticulations, upgrading (increasing capacity) and refurbishment of existing infrastructure in 2019-2020 financial year. The district has been successful after many challenges in receiving funding approvals for the submitted business plans, mostly from the Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG).

Going forward in addressing provision for bulk water, more strides will be made whilst taking into account the limited funding available for the operation and maintenance of water and sanitation infrastructure as well

### COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

#### INTRODUCTION TO BASIC SERVICES

The Dr Ruth S Mompati District Municipality is a Water Service Authority responsible for water and sanitation provision in the following five Local Municipal Areas:

- Kagisano Molopo Local Municipality (NW397)
- Naledi Local Municipality (NW392)
- Mamusa Local Municipality (NW393)
- Greater Taung Local Municipality (NW394)
- Lekwa-Teemane Local Municipality (NW396)

The provision for both bulk and internal water services in the District Municipality's five local municipalities is making a difference in the lives of communities especially who never had services before. However, area such as Eksdale in Kagisano Molopo where yields from boreholes are very low and the quality of water is not suitable for human consumption is receiving water through tankering.

The implementation for the long-term solution, though the Regional Bulk Water Scheme where supply of water from villages with adequate underground sources is delayed by the availability of funds from the Department of Water and Sanitation. The community of Pomfret has been without electricity since 2014 and this has negatively affected supply of water whereby diesel engines are now been used in the District's boreholes.

### **3.1. WATER PROVISION**

Section 27 of the Constitution accords everyone the right to have access to sufficient water. Delivery of water is the primary mandate of DRRSMDM as a Water Services Authority (WSA).

The Municipality is supported in this regard by Sedibeng and local municipalities as Water Service Providers (WSPs), and the national government as the primary funder through Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG).

The District Municipality is engaging the local municipalities that are Water Service Providers to enhance their revenue collection. The provision of infrastructure to ensure that billing and collection for water and sanitation services is enhanced is done through replacement of water meters and leaking pipes.

The ever-increasing demands for water in villages' expansion, both formally or informally, is being addressed through provision of bulk infrastructure funded under the Regional Bulk Infrastructure Grant (RBIG) and the provision of internal reticulation budgeted Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant. However, allocation to these grants by National Treasury is inadequate and therefore access to basic services is somewhat delayed.

The performance of the Water Service Providers has been closely monitored and those that are not performing will be taken on board. Monthly coordination meetings with the Water Service Providers are being held where issues relating to operations improvement and feedback from communities are dealt with.

In terms of the Blue Drop Certification Programme, the District Municipality need to adequately address water safety planning, treatment process management, drinking water quality compliance and asset management. The District Municipality, as the Water Service Authority, is coordinating compliance by the Water Service Providers to ensure the status of the Blue Drop improve with time. The projects for 19-20 were not provided as part of annual report due to unavailability when data are requested.

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### 3.2 WASTE WATER (SANITATION) PROVISION

The District Municipality is responding to basic sanitation needs of its communities by implementing the Rural Sanitation Programme funded through Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG).

#### Top 3 Priorities

1. Compliance with the Environmental requirements
2. Waste Water Treatment Plants Compliance to Green Drop Certification
3. Provision of new and upgrading of existing bulk Infrastructure

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3.3 ELECTRICITY

NOT A FUNCTION OF THE DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

**INTRODUCTION TOWASTE MANAGEMENT**

<p>Refuse removal, refuse dumps and solid waste disposal</p>	<p>“Refuse removal, refuse dumps and solid waste disposal” means the removal of any household or other waste and the disposal of such waste in an area, space or facility established for such purpose, and includes the provision, maintenance and control of any infrastructure or facility to ensure a clean and healthy environment for the inhabitants of a municipality</p> <p>In relation to the District Municipality it means:</p> <p>Solid waste disposal sites, in so far as it relates to-</p> <ul style="list-style-type: none"> <li>i. the determination of a waste disposal strategy for the district as a whole;</li> <li>ii. the regulation of waste disposal strategy for the district as a whole;</li> <li>iii. the establishment, operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for more than one local municipality in the district.</li> </ul> <p>In relation to the Local Municipality it means:</p> <ul style="list-style-type: none"> <li>i. The determination of a waste disposal strategy for the local municipality only</li> <li>ii. The regulation of local waste disposal for the local municipality only</li> <li>iii. The collection and removal of waste and transporting to a local waste disposal site, bulk transfer facility and district waste disposal site</li> </ul> <p>The establishment, operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for the local municipality only</p>	<p>According to Section 156(1) of the Constitution and Section 84(1) and (2) of the Municipal Structures Act, the refuse removal, refuse dumps and solid waste disposal function is a shared municipal function, with district and functions as stipulated above. However, as indicated the refuse removal, refuse dumps and solid waste disposal function may, subject to the provisions stated above, be adjusted by the MEC for local government.</p>
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In 2008 the Solid Waste function and power of four of the five local municipalities in the Dr Ruth Segomotsi Mompati District Municipality (RMDM) area, i.e. Mamusa Local Municipality (MLM), Lekwa-Teemane Local Municipality (LTLM), Greater Taung Local Municipality (GTLM) and Kagisano/Molopo Local Municipality (KMLM) was reallocated to the RMDM in terms of section 85(1), 85(6) and 85(9) of the Local Government: Municipal Structures Act, 117 of 1998 (the "Structures Act"). Since 2008 the RMDM has not made any real progress in fulfilling its solid waste services mandate due to a lack of financial and human resources capacity to deliver the solid waste services with the result that all four of the local municipalities are still rendering the solid waste services as if no reallocation of it took place in 2008. Finding a way forward to determine a permanent solution for this *impasse* was urgently required.

Golder Associates Africa (Pty) Ltd ("Golder") was appointed to assist RMDM to do a S78 study consisting of a S78(1) assessment (phase 1) to determine whether RMDM has the internal capacity to deliver the solid waste service and thereafter, if concluded that internal capacity is inadequate, to do a S78(3) feasibility study (phase2) to assess whether and which external service delivery mechanisms would be suitable to render solid waste services to Mamusa, Greater Taung, Lekwa-Teemane and Kagisano-Molopo.

## **1. Assessment**

Based on the Needs Analysis done (in a summarised version included in this report) the S78(1) assessment found that the RMDM, although tasked with the powers and functions to deliver waste management services in the four local municipalities, did not have the human resources or financial capacity to implement these services. It recommended that external service delivery options such as: other municipalities (implying the four local municipalities); Community Based Options (CBOs); Non-governmental Organisations (NGOs) and Public-private Partnerships (PPPs) be explored and investigated as potential solutions to the challenges identified by way of a S78(3) feasibility study.

## **2. Decision**

Realising that it will not be able to comply with S79 of the Systems Act (i.e. be able to commit the financial, human and other resources necessary for the proper provision of the solid waste service and transform it in accordance with the Systems Act) the RMDM Council approved the recommendation to proceed with the S78(3) feasibility study to explore external service delivery mechanisms. This was done at a Council meeting held on 26 June 2014 (Resolution 107/2014) in accordance with the requirements of S78(2)(b) of the Systems Act.

## **Service delivery options analysis**

The comparative analysis of possible options conclusively found that the best solution would be for the reallocation of the solid waste power and function to the local municipalities in terms of subsection 85(9) of the Structures Act with the RMDM rendering administrative, financial and technical assistance to the extent that its capacity allows. This analysis was done in much detail by looking at all aspects of governance and management; the financial impact including the potential sourcing of funding; the legal, human resources, technical and operational considerations; the market capacity and appetite of the private sector and risk factors.

## **Conclusions and recommendations**

Having 1) taken into account the findings of the S78(1) assessment, 2) acted in adherence to the S78(2) decision of the RMDM Council and 3) taken into account the findings of this S78(3) feasibility study, it is concluded that:

- 1. The RMDM is not in compliance with the solid waste power and function re-allocated to it in 2008 and does not have the capacity or funds or access to the funds required to deliver solid waste services to the Mamusa, Kagisano/Molopo, Greater Taung or Lekwa-Teemane Local Municipalities or, by way of a Service Delivery Agreement, cause reliable and sustainable waste services to be delivered to these municipalities.*
- 2. A SDA between the DRRSMDM and each local municipality will spell out roles and responsibilities and accountability thus bringing clarity but it will not improve the current waste service delivery situation given that staff, assets and liabilities will remain unchanged if reliant on the DRRSMDM's capacity and funding ability. SDAs can also not ensure reliable, good and expanded waste services since other contributing factors such as good administration, human resources management, technical experience and capacity and sound financial management or the lack of these are not within the control of the DRRSMDM. Furthermore, SDAs will place an unnecessary administrative burden on the DRRSMDM and the local municipalities while negatively affecting the local municipalities' ability to access MIG funding.*
- 3. Due to the small scale of the waste services operations of the local municipalities, it is not foreseen that private sector operators will be interested in outsourced collection services but it is possible, once the waste handling and disposal sites of the various local municipalities are developed/upgraded, that there might be private sector interest in the outsourced operation and management of such landfill sites, transfer stations and drop-offs.*
- 4. The four local municipalities are despite administrative, human resources, financial, technical, operational and maintenance constraints in a better position to deliver waste services to their own communities through their respective ability to access more grant funding; manage own staff, assets and liabilities and improve own governance, administrative, financial management and service delivery systems, processes and practices.*

*Organised labour and the respective communities of the four local municipalities are in favour of the solid waste power and function being located at their own local municipality.*

*The opinion of officials of the four local municipalities ranges on a scale of either being in favour of the re-allocation of the solid waste service to the local municipalities to not being totally against it but having reservations about it due to concerns about the financial implications thereof.*



*The re-allocation of the solid waste power and function back to the local municipalities in terms of subsection 85(9) of the Structures Act is the most feasible and financially sustainable solution given the other conclusions and due to the fact that:*

*it will open the door for the local municipalities to access MIG funding for solid waste projects, i.e. to complete the landfill and transfer station projects and the revised MIG funding conditions will include allowance for 5% thereof to be spend on repairs and maintenance;*

*it will bring the location of the solid waste power and function in line with national policy;*

*it will result in a single source of responsibility and accountability which is known as a principle of good service delivery;*

*it will place responsibility and accountability of the waste services where it belongs, i.e. close to the people who receive the services;*

*the aged indigent registers causing the local municipalities not to get their rightful share of the LGES, can only be updated by themselves, thus they are masters of their own destiny in this regard;*

*the local municipalities are in a better position through daily management of their staff and activities to promote and enforce a safe and healthy environment through practices which should span across all services;*

*the local municipalities are in a better position through intimate knowledge of their communities and a wider commitment to their communities to explore and facilitate possible avenues for LED activities linked to solid waste services, e.g. recycling initiatives and the roll out of waste services to hitherto unserved communities through the use of CBOs funded by the waste portion of the LGES grant.*

*Legislation enables the DRRSMDM to still provide financial, technical and administrative support services to the local municipalities to the extent that the DRRSMDM has such capacity which, in the case of the management and monitoring of landfill projects does exist, and could be made available.*

*The DRRSMDM waste staff also has knowledge of waste management practices such as the optimisation of collection routes, which could still be available to the local municipalities.*

*Officials in the Solid Waste Unit of the DRRSMDM must ensure that the goals and implementation plans which are applicable to the DRRSMDM as included in the revised 2016 IWMPs, be implemented accordingly.*

*Council resolved on 30 June 2016:*

- a) *That solid waste power and function be re-allocated to the local municipalities in terms of subsection 85(9) of the Structures Act and, if this avenue proves to be unsatisfactory, the legal avenue provided for such circumstances in subsection 85(7) of the Structures Act, be used to affect the re-allocation.*
- b) *That the recommendations in the attached report serve before the Council of DRRSMDM and be approved in terms of S78(4) of the Systems Act.*

*That in pursuance of the above recommendations in the attached feasibility report and Council Resolution, the DRRSMDM communicate its request for the re-allocation of the solid waste power and function to the respective local municipalities in terms of subsection 85(9) of the Structures Act in writing to the Honourable Ms Fenny Gaolalwe, MEC of the Department of Local Government and Human Settlements of the North West Province, supported by its Council Resolution and this S78(3) Feasibility Report.*

Facility Name	Facility Type	Specify Other	Municipality	Latitude	Longitude	Facility Status	License Status	License/Reference No	Compliant	Ownership
Taung Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	24° 34' 16.13" S	24° 44' 59.96" E	Operational	Closure and rehabilitation	NWP/WM/DR2/2013/26	Partial	DRSM
Reivilo Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	24° 34' 07.07" S	24° 09' 21.66" E	Operational	Closure and rehabilitation	NWP/WM/DR2/2016/02	Partial	DRSM
Old Pudimoe Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	24° 44' 51.9" S	24° 44' 21.6" E	Closed and Rehabilitated	Closure and rehabilitation	NWP/WM/DR2/2013/15	Partial	DRSM
New Pudimoe Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	27° 25' 27" S	24° 43' 11" E	Approved	Licensed	NWP/WM/DR1/2009/04	Partial	DRSM
Ganyesa	Landfill sites -	G:C:B-	Kagisano/Molopo_(NW397)	26° 35' 29.5" S	24 ° 07' 58.7" E	Operational	UnLicensed	No license	No	Kagisano-Molopo

	General									
Morokweng	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	26° 11' 16.3" S	23 ° 41' 25.7" E	Planned	UnLicensed	No license	No	Kagisano-Molopo
Piet Plessis	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	26° 35' 26.99" S	24 ° 07' 57.07" E	Operational	Licensed	NWP/WM/DR3/2016/05	No	Kagisano-Molopo
Bray	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	25 ° 28' 17.09" S	23 ° 42' 8.86" E	Operational	Licensed	NWP/WM/DR3/2016/03	No	Kagisano-Molopo
Tosca	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	25 ° 53' 1.65" S	23 ° 57' 29.19" E	Closed and Rehabilitated	Licensed	NWP/WM/DR3/2016/04	No	Kagisano-Molopo
Pomfret	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	25 ° 47' 59.12" S	23 ° 31' 29.63" E	Closed	UnLicensed	Unknown	No	Kagisano-Molopo
Naledi Landfill site	Landfill sites - General	N/A	Naledi_(NW392)	27°00'53.67" S	24°44'47.6" E	Operational	Licensed	NWP/WM/DR1/2009/01	No	Naledi

Stella Landfill site	Landfill sites - General	N/A	Naledi_(NW392)	26° 33' 25.52" S	24° 50' 49.99" E	Operational	Licensed	NW/WM/DR1/2013/16	No	Naledi
Huhudi Transfer station	Transfer station	N/A	Naledi_(NW392)	26° 58' 28.75" S	24° 44' 28.88" E	Operational			Yes	Naledi
Vryburg Transfer station	Transfer station	N/A	Naledi_(NW392)			Closed and Rehabilitated	Closed and Rehabilitated		Yes	Naledi
Vryburg Landfill site	Landfill sites - General	N/A	Naledi_(NW392)	26° 58' 17" S	24° 45' 10" E	Closed and Rehabilitated	Closed and Rehabilitated	NWP/WM/DR1/2009/03	Yes	Naledi
Vryburg Buyback centre	Buyback centre	N/A	Naledi_(NW392)	27° 57' 28" S	24° 45' 38" E	Closed		NW/WM/DR1/2014/05	No	Naledi
Amalia	Landfill sites - General	G:C:B-	Mamusa_(NW393)	27° 15' 20" S	25° 2' 34" E	Operational	Licensed	NWP/WM/DR6/2012/20	No	DRSM
Schweizer Reneke	Landfill sites - General	G:C:B-	Mamusa_(NW393)	27° 10' 32" S	25° 18' 38" E	Operational	Licensed	NWP/WM/DR6/2012/22	Partial	DRSM
Migdol	Landfill sites -	G:C:B-	Mamusa_(NW393)			Operational	UnLicensed	NWP/WM/DR6/2013/18	No	DRSM

	General									
Glaudina	Landfill sites - General	G:C:B-	Mamusa_(NW393)			Operational	UnLicensed	No license	No	DRSM
Nooitgedaght	Landfill sites - General	G:C:B-	Mamusa_(NW393)			Operational	UnLicensed	NWP/WM/DR6/2012/20	No	DRSM
Bloemhof landfill site	Landfill sites - General	G:C:B-	Lekwa-Teemane_(NW396)	27° 39' 21" S	25° 34' 36" E	Operational	Licensed	NWP/WM/DR4/2011/08	No	DRSM
Christiana Landfill site	Landfill sites - General	G:C:B-	Lekwa-Teemane_(NW396)	27° 53' 52" S	25° 7' 36" E	Operational	Licensed	NWP/WM/DR4/2011/09	No	DRSM
Christiana Landfill site	Landfill sites - General	G:C:B-	Lekwa-Teemane_(NW396)	27° 53' 52" S	25° 7' 36" E	Closed and Rehabilitated	Licensed	NWP/WM/DR4/2013/17	No	DRSM

## **WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:**

In accordance the Resolution 149/2016, the DRRSMDM on Solid Waste as determined by the Section 78 Report resolved; that solid waste powers and function be re-allocated to the local municipalities in terms of Section 85(9) of the Structures Act and, if this avenue proves to be unsatisfactory, the legal avenue provide for such circumstances in Section 85(7) of the Structures Act, be used to affect the re-allocation.

That in pursuance of the recommendations in the Section 78 Report and the Council Resolution, the DRRSMDM communicates its request for the re-allocation of the solid waste powers and functions to the respective local municipalities in terms of Section 85(9) of the Structures Act in writing to the Honourable MEC Fenny Gaolalwe, of the Department of Local Government and Human Settlement of the North West Province, supported by its Council Resolution and the Section 78 Report. This was done but till to date there is no Role clarification from the MEC offices and due to unfunded mandate DRRSMDM could not commit to the function and as a result there is no budget allocated for the function.

Environmental Health Practitioners as they are rendering Municipal Health Services in the local municipalities of DRRSMDM are ensuring the proper management and of solid waste management to local municipalities and also conduct education awareness in the communities.

The local municipalities function is to ensure the proper refuse storage, collection, transportation, transfer and processing, materials recovery and final disposal.

The Solidwaste management unit supports and give advice to the local municipalities on solid waste management issues whereby the Youth Ambassadors, appointed by the Department of Environment, Forestry and Fisheries, are involved with conducting education awareness in the communities as part of the youth and community outreach Programme.

**3.5 HOUSING**

This is not a function of the Dr Ruth Segomotsi Mompati District Municipality.



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### 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

Municipalities have a legal obligation to ensure the provision of free basic services to indigent households. A “basic municipal services” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety or the environment. This includes water, sanitation and electricity.

The District plan to undertake the to annually approve Indigent Support Policy and allocate budget to support qualifying households. The Indigent Support Policy will include and provide for the following, amongst others:

- Criteria for identification of indigent households;

- Process for registration of indigent households;

- Indigent tariffs and subsidy;

- Determination of the municipal services and levels thereof which will be subsidized in respect of indigent customers; and

- Conditions for the termination of indigent support.

The District Municipality is supporting Local Municipalities through equitable share and in ensuring that the indigent support is being catered through the provision of free basic services through policy development and guidance, however the primary function lay with the Local Municipality

## COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

The Dr Ruth Segomotsi Mompati District Municipality is not the custodian of roads within its area of jurisdiction. In terms Section 36 (1) of the National Land Transport Act, Act 5 of 2009 all planning authorities must prepare Integrated Transport Plans (ITP's) for their area of jurisdiction. The Municipality is responsible for municipal planning as derived from Schedule 4 Part B of the Constitution. The Municipality is in the process of developing an Integrated Transport Plan with support from the North West Department of Community Safety & Transport Management.

The National Department of Transport, as part of the S'Hambe Sonke Programme, has provided grant funding for the implementation of Rural Roads Asset Management Systems (RRAMS). The strategic goal of RRAMS grants is to ensure efficient and effective investment in rural roads and bridge inventory data condition assessments and traffic information. Improved data on roads will guide infrastructure investment and also enhance accessibility and mobility of rural communities.

### **Description of Public Transport Operations and Services**

In addition to the preceding literature study, this section aims to provide insight into the current public transport operations and service provision within the Dr Ruth Segomotsi Mompati District Municipality. This is an important step as part of laying a fundamental understanding upon which the IPTN plan can be built. The information provided in this section is gathered from the latest ITP and CPTR documents, as well as from field surveys during the course of this project.

### **General Public Transport Pattern**

As a start, the general public transport pattern and system has to be analysed and understood. Two main elements of the public transport system can be identified that define and form the systems' functioning. The supply and demand sides.

- The **supply side** element refers to all infrastructure aspects such as the roads, facilities and transport modes, as well the operational and management aspects of the system which includes the route planning and scheduling conducted by the service providers.
- The **demand side** element essentially refers to the users that utilise the services in order to meet a specific need to travel.

The functioning of the public transport system is based on the highly complex and mixed interaction between various elements and aspects of the system's demand and supply side. Table 2-8 visually shows the various aspects included in the public transport supply and demand. This is a simplified representation of the system and is based on the information provided in the latest ITP. Table 2-8 focuses exclusively on public transport and therefore only shows the various elements of public transport operations as a separate part of the bigger transport system.

Of importance in this section is the consideration of what the supply side status quo situation currently is in order to better understand its interaction with the demand side and thus to enable a better understanding of certain issues in the current public transport system, such as a skewed or inadequate provision of transport to meet specific users travel needs.

### **Overview of Public Transport Services**

The current public transport system in DrRSMMDM comprises two main road-based transport modes, namely the minibus-taxi and standard bus modes. These are therefore of most importance during the evaluation of current public transport service provision. Whenever this report makes reference to a taxi, a 15-seater minibus-taxi is implied and when reference is made to a bus, a standard 65-seater

bus is implied. There is no significant presence of metered taxi operation within the district and the rail network currently present is not utilised for commuter purposes.

The status quo of the public transport system described in this document is mainly based on the 2007-2013 ITP and verified by field surveys undertaken as part of the 2018 CPTR project, as well as on a desktop study and site visits undertaken during the course of this project. The description of the supply side of the existing public transport system has been summarised with regard to the following aspects related to each transport mode:

- Operators providing public transport service
- Facilities utilised by public transport vehicles and passengers
- Vehicles used in public transport operations
- Public transport service provided to passengers

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### 3.7 ROADS

Not a function of the District

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3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

NOT A FUNCTION DISTRICT

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### 3.9 WASTE WATER (STORMWATER DRAINAGE)

This is not a function of the Dr Ruth Segomotsi Mompati District Municipality

## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

The Municipality has fully complied with the aforesaid development planning prescripts. The 2020-2021 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2021/2022 IDP

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.

The Planning & Development is responsible to ensure that there is efficient and effective compliance with legislative imperatives such as IDP, Public Participation, PMS and other applicable laws. In addition, they perform strategic planning, facilitation, reporting and provide advice and support internally and externally which in most cases is demand-driven.

Section 27 (1) & (2) of the Municipal Systems Act Mandates District Municipality to adopt a framework for Integrated Development Planning that binds both the District and the local municipalities in the area of the district municipality as a whole;

Section 28 of the Municipal Systems Act mandates municipal council to adopt a process set out in writing to guide the planning, drafting, adoption and review of municipal integrated development plan (IDP); and

Section 21 of the MFMA mandates municipalities to prepare time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget and the annual review of the IDP.

The Municipality has fully complied with the aforesaid development planning prescripts. The 2019/20 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2019/2020 IDP

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.

### **Town & Regional Planning**

The Unit is responsible for Spatial Planning in line with Chapter 4 of the Spatial Planning and Land Use Management Act (SPLUMA), Act 16 of 2013 along with providing support to constituent local municipalities with the implementation of SPLUMA.

The Municipality reviewed its Spatial Development Framework in the 2019/20 financial year.

The Unit also includes a Geographic Information Systems (GIS) section which is responsible for storing spatial information within the Municipality and assist in surveying of completed infrastructure projects. In the past financial year 2019/20 the played an active role in assisting the Office of the Premier with the development of a provincial GIS Strategy.

The Dr Ruth Segomotsi Mompati District Municipality (herein referred to as the District or DRSM) is a Category C municipality located in the North West Province and it comprises the following local municipalities:

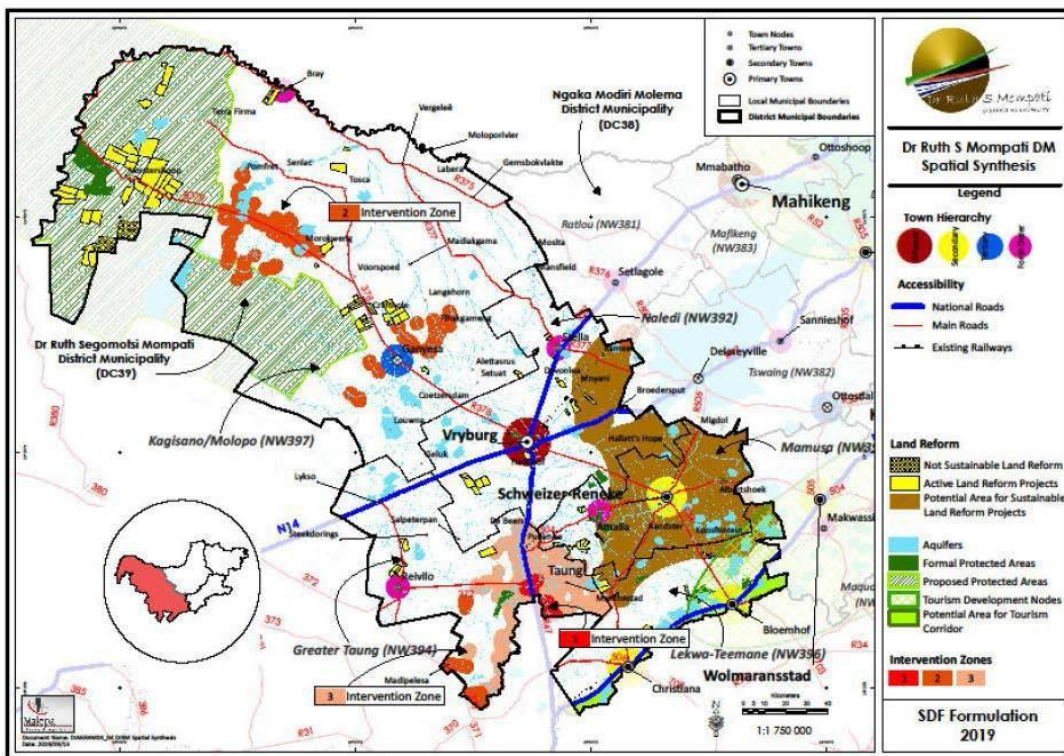
Naledi Local Municipality, Greater  
Taung Local Municipality,  
Kagisano-Molopo Municipality,  
Mamusa Local Municipality, and  
Lekwa-Teemane Local Municipality

The District is predominantly rural with a population that is situated in more than 470 villages and towns dispersed in a 250km radius (approximately 50km north to south and 200km east to west).

Amalia  
Bloemhof  
Christiana  
Piet Plessis  
Pomfret  
Pudimoe  
Reivilo  
Schweizer-Reneke  
Stella  
Taung, and  
Vryburg



The map below indicates the spatial synthesis of the District:



### Integrated Development Planning

The IDP unit is responsible for ensuring compliance with implementation of Chapter 5 of the Systems Act, especially compliance with Section 25 by identifying with the key deliverables and immediate goals detailed in the Council's IDP in respect of the communication, investment, tourism and agricultural dimensions of local economic development.

### Performance Management System

The PMS Unit was responsible for the implementation of PMS in line with the Municipal Systems Act (MSA) 2000 which requires municipalities to establish a performance management system, the Municipal Finance Management Act (MFMA) which requires that the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

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### 3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

#### **INTRODUCTION TO LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)**

The current unemployment rate in the district stands at 38%. This unprecedented state affects the majority of the Youth. Hence the district will continue to strive towards creating an enabling environment that accommodates ongoing youth skills development, small business and cooperatives support, product development and promotion as well as other farmer support programmes.

The strategic objective of the EDTA department is to facilitate and promote local economic development in the District through existing partnerships. Specifically, the district is an agricultural hub within the province and as a result, special attention is given to promoting agricultural initiatives and ensures value chain benefits from the sector. The AgriParks programme therefore, will play a central role in ensuring broader accessibility of the previously disadvantaged communities to value chain benefits associated with the programme. The District is one of the 44 poorest districts, with an economy that is highly dependent on the Agricultural sector. Despite having a thriving Agricultural sector that is perceived to be overly dependent on the beef cattle industry, the entire sector is still relatively underdeveloped in terms of agro-processing value chain, infrastructure and related activities. A larger percentage of agricultural produce originating from the district is usually processed outside. Therefore, the establishment of the Agri-Park will afford the district an opportunity to promote and implement agro-processing of produce, value addition, and an overall increase in agricultural production and diversification.

In addition to agriculture, the district has, over the past years ensured equitable focus on other sectors of the economy. Considerable effort went into the promotion and creation of a conducive environment that enhances access to markets for SMMEs and encouraging participation in existing and new employment creation opportunities. Thus, the promotion of SMMEs and Cooperatives as the driving force to job creation needs to be fully harnessed and supported. In the previous financial year, a total of 394 SMMEs and Cooperatives collectively were successfully assisted. The two support programmes accessed include shared economic Infrastructure Fund, from the department of Small Business Development and the NW Growth Accelerator Programme both administered through the Finance, Economy & Enterprise Development Department.

Attraction of major investments to the District remains a challenge because of the poor infrastructure conditions, more especially roads, water networks or reticulation, communication, electricity and transport networks. The critical importance of commitment to transforming the economy of the district therefore remains emphasized. This will ensure that job opportunities are increased for the unemployed masses (mainly the youth) of the DR RSM District.

The District Municipality acknowledges the fact that effective economic growth and stimulation emanates from committed stakeholder strategic partnerships in order to ensure rural development and jointly implementing programmes and projects for sustainable livelihood. As a result, the department will for the next five years intensify joint economic planning and execution of programmes focusing on the prioritized sectors of the district. Partnerships with the private sector to impart the necessary skills to small businesses and cooperatives will be duly enhanced and supported. With the minimum resources allocated to the district for service delivery priorities, Local Economic Development is usually given the least of the resources usually not commensurate with the existing economic challenges and needs. The same applies to the local municipalities supported by the district, a matter that will require a decisive political will if the prospects of the district economic growth are to be attained.

The Dr Ruth S Mompoti District Municipality affirms that tourism "constitutes a right equally open to all of the world's inhabitants, and obstacles should not be placed in its way". There has been a growing awareness of the positive influence that tourism as a sector has on different aspects of life. This sector provides a chance for recreation, an opportunity for mutual understanding between peoples and cultures, an instrument for economic development, a promoter of peace and dialogue, a possibility for education and for personal growth, a moment of encounter with nature, and an environment for spiritual growth, just to mention few. Therefore, the district will continue to market its five (5) tourism offerings being, Agriculture, Culture, Heritage, Water Sport and Hunting. Through these offerings, the district hopes to create a unique experience exclusive towards the existing comparative advantages within each local municipality.

#### **LOCAL JOB OPPORTUNITIES:**

EDTA has an indirect and direct impact on jobs created. In the 2021-2022 financial year in terms of based on SMMEs supported through both special projects and operational projects.

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES;  
OTHER (THEATRES, ZOOS, ETC)

Not a function of the Dr Ruth Segomotsi Mompati District Municipality

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### 3.13 CEMETORIES AND CREMATORIIUMS

Regulations defining the scope of the profession of environmental health: amendment; provide for the following to be rendered:

#### **Disposal Of The Dead**

Controlling, restricting or prohibiting the business of an undertaker or embalmer, mortuaries and other places or facilities for the storage of dead bodies; monitoring practices at cemeteries, crematoria and other facilities used for the disposal of dead bodies; managing, controlling and monitoring exhumations and reburials or the disposal of human remains.

Environmental Health Practitioners are performing the function as outlined per the regulations.

**INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES**

**A child care Centre** shall refer to a facility that provides care for “children under the age of 6 years” who are not yet attending a formal school or equivalent. These shall include full time day care or half day care where more than 3 children are being care for between the ages of 0-6 years. Child care centers also include afterschool care services for school going children.

The premises operated under a valid Health Certificate issued by an Environmental Health Practitioner of a relevant District or Metropolitan Municipality, to the effect that the premises and general facilities comply with environmental health requirements.

The premises promote a healthy and safe environment, free from environmental hazards and diseases and welfare of the children accommodated.

Staff members adequately qualified in child care, and knowledgeable in health and safety aspects relating to children. Playground equipment in compliance to the *SANS 51176: 2010 for playground equipment and surfacing*.

### **Environmental health inspections of day care centers should include:**

A risk assessment of a child care should be conducted by an EHP to assess conditions on the premises that may pose a threat to the health, safety and welfare of children, by:

- Identifying hazards in a child care centre;
- Assessing the likelihood of the hazard posing a risk to the children on the premises;
- Estimating the severity of the consequences, if harm is caused. The risk analysis should be done with specific focus to the following areas:

Food preparation areas, (to include analysis of food risks);

Indoor and outdoor play areas and equipment;

Water and sanitation;

Pests; Care and protection of children;

Disease infection risk factors and prevention strategies, including hygiene practices; and

Environmental toxins on the premises

- Risk communication should from part of every EH inspection, as well as recommendation of action plans on elimination and minimisation of hazards through control measures.
- Assessment of disease prevention and control, including disease reporting and inspection protocols.
- Health education should part of and provided with every compliance inspection conducted.
- Inspection checklists should be designed and utilized for every inspection conducted. Prescribed standards for day care centers should be used as guides for developing of inspectionchecklists.
- An inspection report, with the risk assessment findings and recommendations should be issued to the owner or person in charge of the day care center after every inspection.
- An EHP should maintain a database of all child care centers (both compliant and non-compliant) for control purposes.
- Monitoring of child care centers should be coordinated with all other relevant stakeholders, such as Social development, Basic Education and Primary Health Care, to ensure synergy and comprehensive provision of services.

**Day care centers** must comply with the following health requirements:

- A valid health certificate must be issued by an EHP certifying that the premises comply with environmental health requirements. The certificate must indicate the following:

The health certificate holder;

The physical address of the premises;

The identity number of the certificate holder;

The number of children and the minimum age groups permitted on the premises; and

Hours of operation; full day or half day care.

Each certificate should be issued with a certificate number.

- The health certificate must be displayed in a conspicuous manner on the premises, so as to be clearly visible to everyone entering the premises.

- Health certificates issued to a child care center must be renewed by an EHP:

Annually;

In case of change of ownership;

In the case of renovations/additions to the existing premises; and

If the services moves from one premises to another

- A Day care center must be inspected at least once every quarter (not less than 3 times in a year). The risk profile of the day care center should also inform the frequency of inspections of specific premises.

**Homes for the aged** refer to a care home providing accommodation and nursing, or personal care for older people or for the aged.

**Norms:**

- Old Age Homes operated under a permit/registration authorizing that activity by the relevant municipality/authority.
- The premises operated under a valid Health Certificate issued by an Environmental Health Practitioner of a relevant municipality, to the effect that the premises and general facilities comply with environmental health requirements.
- Building and facilities accessible and promote health, safety and welfare of residents.
- Physical layout of the grounds and buildings promotes mobility, social interaction and areas of servicedelivery.



## COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

Section 24 of the Constitution provides that everyone has the right to an environment that is not harmful to their health or well-being and to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that:

- prevent pollution and ecological degradation;
- promote conservation; and
- Secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.

DR RSM's considerable and diverse natural resources open up a wide array of investment possibilities, from alternative energy (Solar power) to both game and livestock farming. Being part Republic of South Africa, which is a signatory to various international environmental agreements, Dr RSM is concerned to protect its natural resources and promote their sustainable use.

DR RSM district municipality derives its environmental mandate to ensure the protection of the environment and conservation of natural resources. The Municipality performs its environmental mandate through the community services' environmental/Municipal health unit with further support from the Department of Environmental Affairs' local government support unit that has deployed 1 Control environmental Officer Grade A to provide support to the District and its 5 Local municipalities on environmental management issues.

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### 3.15 ENVIRONMENTAL POLLUTION CONTROL

#### INTRODUCTION TO ENVIRONMENTAL POLLUTION CONTROL

Environmental pollution control functions are as follows:

- Ensuring hygienic working, living and recreational environments;
- identifying the polluting agents and sources of water, air and soil pollution;
- conducting environmental health impact assessments of development projects and policies, including assessments of major hazard installations;
- identifying environmental health hazards and conducting risk assessment and mapping thereof;
- preventing accidents, e.g. owing to paraffin usage;
- approving environmental health impact assessment reports and commenting on environmental impact assessment applications;
- ensuring clean and safe air externally (ambient and point sources) through emission inventory monitoring, modelling and toxicological reports, reviews and complaint investigations;
- controlling and preventing vibration and noise pollution;
- preventing and controlling soil pollution that is detrimental to human, animal or plant life;
- ensuring compliance with the provisions of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), and its regulations, including anticipating, identifying, evaluating and controlling occupational hazards;
- taking the required preventative measures to ensure that the general environment is free from health risks;
- ensuring the registration, permitting, monitoring and auditing of all industries, activities, trade, etc., which involves controlling the internal effects of pollution on the worker and the external effects of pollution on the community and the environment;
- monitoring management of infrastructure integrity, including management of the infrastructure integrity of pipelines and tanks;
- ensuring, jointly with other role players, a readiness for abnormal operating conditions and disasters;
- developing sustainable indicators appropriate for monitoring the effectiveness of environmental management systems of industries

3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

NOT A FUNCTION OF THE DISTRICT

## COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections.

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### 3.17 CLINICS

NOT A DISTRICT FUNCTION

### 3.18 AMBULANCE SERVICES

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Not a district function

### **INTRODUCTION TO MUNICIPAL HEALTH (INSPECTIONS, FOOD, ETC.)**

In terms of the Constitution of the Republic of South Africa, 1996, the Local Government: Municipal Structures, 1998 (Act 117 of 1998) and the National Health Act, 2003 (Act 61 of 2003), it is the statutory responsibility of the District Municipality to render Municipal Health Services in the district, in terms of Government Notice No. 826 of 13 June 2003 which became effective from 1 July 2004, and DR RSM DM is amongst the municipalities that renders the service fully.

Environmental health is concerned with monitoring or mitigating those factors of the natural and built environment affecting human health and disease. It involves identifying and evaluating environmental sources and hazardous agents and limiting exposures to hazardous physical, chemical, and biological agents in air, water, soil, food, and other environmental media or settings that may adversely affect human health. The programmes are implemented as per Regulation No. 123; The Scope of Profession of Environmental Health under the Health Professions Act (Act No. 56 of 1974 as amended).

Section 1 of the National Health Act 61 of 2003, defines Municipal Health Services which include the following environmental health functions provided by District and Metropolitan Municipalities:

Water quality monitoring; Food control; Waste management; Health surveillance of premises; Surveillance and prevention of communicable diseases, excluding immunizations; Vector control; Environmental pollution control; Disposal of the dead; and Chemical safety.

#### **Water quality Management**

DR RSM DM is responsible for ensuring that the water provided to communities is safe for human consumption and adequate for domestic use as well as for recreational, industrial, food production and all other human and animal use. This is facilitated through water sampling and analysis by accredited Laboratory to determine compliance with South African National Standards (SANS): 241.

#### **Food Inspections**

The district has responsibility of ensuring food safety in respect of acceptable microbiological, chemical and hygiene standards. This is implemented by monitoring food premises for compliance with set standards on a monthly basis to ensure compliance of all food premises and optimal hygiene control throughout the food supply chain.

**Waste Management:** The inspections are conducted in LM's waste site to assist them to come to compliance to the NEM Waste Act 2008.

### Health and Hygiene Awareness and activities in response to COVID-19 pandemic

- Community Awareness, educations and communication which is critical in the management and prevention of the spread of COVID-19 were and are still conducted regarding the precautionary measures and the persons behaviours during the pandemic at pension pay out points, during premises inspections ( Non-Food and Food)
- Intensive inspections were conducted at Funeral Parlour premises for compliance with disaster management regulations.
- Provided guidance and advice to Funeral Undertakers on management of infectious human remains
- Participated in Outbreak Response Teams in the District and constantly informed the Provincial Disaster and the National Health on the Environmental Health activities during the pandemic.
- Conducted investigation of suspected cases and contact tracing in the district.
- Monitored the management of health care wastes in health facilities, quarantine premises, etc
- Facilitated and monitored the decontamination and disinfection of affected premises
- 

DRRSM has in its employ 20 Environmental Health Practitioners and are distributed amongst the local municipalities as follows: Greater Taung 4, Mamusa 3, Naledi 3, Kagisano/Molopo 5 and Lekwa-Teemane 3 with Assistant Manager: Solid Waste and Manager: MHS. Norms for Environmental Health Practitioners was established in South Africa as one Environmental Health Practitioner per 15 000 population, insured and uninsured combined. The WHO norm stands at 1 Environmental Health Practitioner per 10 000 population. A new cadre of Environmental Health Assistant is being defined; no norms exist as to the ratio of Environmental Health Assistant to Environmental Health Practitioner.

The Table below outline the inspections conducted:

SDBIP CORPORATE OBJECTIVES	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ANNUAL ACTUAL PERFORMANCE ACHIEVED	VARIANCE	BLOCKAGES CHALLENGES/ REASONS FOR UNDERPERFORMANCE/DEVIATION
To provide Food Safety and control services	No. of Food premises inspected	<b>1600 inspections</b>	3166	1566	There were special blitz inspection operations done in the District
To provide water quality services	No. of water samples collected for analysis	<b>1100 water samples</b>	1097	-3	During the beginning of the Lockdown movement was restricted as a results samples were not sent to the Laboratory in April 2020

To provide milk quality and safety services	No. of milk samples collected for analysis	<b>52 samples</b>	70	18	The quota of how many and what samples to be collected in a particular month lies with the Dairy Bell company
To provide meat safety and inspection services	No. of meat safety inspections conducted	<b>132 meat inspections</b>	135	3	Output of slaughtering is the prerogative of the abattoir owner
To provide and monitor the Disposal of the Dead services	No. of Undertakers premises inspections	<b>40 inspections</b>	91	51	Inclusive of the special inspection instructions during COVID-19
Surveillance and Prevention of communicable diseases	No. of Clinic visits done to collate information	<b>40</b>	61	21	Inclusive of the special inspection instructions during COVID-19

Environmental Health Practitioners (EHP's), as registered health practitioners, are required by law to engage in continued professional development activities (CPD). These activities are registered and administered by the Health Professions Council South Africa (HPCSA) and it is compulsory for all EHP's to comply with CPD requirements in order to maintain their registration with the HPCSA.

#### **CHALLENGE**

insufficient budget provision to advance other tools of trade, like surface cleanliness tests, noise testing machine and others.



## COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

### INTRODUCTION TO SECURITY & SAFETY

The Structures Act gives District Municipalities the functions and powers to conduct firefighting services. (The word “function” is defined as an activity proper to a person or institution, a mode, of action or activity by which a thing fulfils its purpose, an official or professional duty). This clearly goes beyond a “right” or “power” and the Structures Act therefore places on District Municipalities an obligation to provide these services.

The District Municipality has a security component which consists of the Minimum Information Security Standard. In terms on the National Intelligence Strategic Act this Unit is responsible for Screening and Vetting of both employees and Service providers.

Employees are screened regularly to ensure compliance with the Act and also to minimise the risk of employing those who are viewed as Security risk to the institution. All Municipal assets such as water infrastructure are guarded on a 24 hour basis to avoid vandalism.

Access control is a process in which several measures are applied to ensure that any object or person requiring access to the premises of an institution is safe, has a bona-fide reason to enter, is entitled and authorised thereto and breaches of security during the presence of such a person. It is therefore important for the institution to have a policy guideline to regulate access control.

*The Security policy has been developed and in place in accordance with the provisions of the Act.*

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### 3.20 POLICE

Not a district Functi

## INTRODUCTION TO FIRE SERVICES

### FIRE SERVICES

The District Municipality is responsible for provision of firefighting service throughout the District in terms of Section 84(1) j of the Local Government Municipal Structures Act, (Act 117 of 1998).

“The District Municipality is, inter alia, responsible for provision of firefighting services serving the area of the district municipality as a whole, which include:

- Planning, co-ordination and regulating fire services
- Specialised firefighting services such as mountain, veld and chemical fire services
- Co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures
- Training fire officers”

### Fire Fighting Service - Local Municipality Function

The District Municipality is also responsible for provision of firefighting service to local municipalities in terms of the adjustment by the of Section 84 (2) of the Local Government Municipal Structures Act, (Act 117 of 1998), The Act further describes the local function as:

- Preventing the outbreak or spread of a fire
- Fighting or extinguishing a fire
- The protection of life or property against a fire or other threatening danger
- The rescue of life or property from a fire or other danger” Analysis

The Local Municipality of Naledi is responsible for provision of firefighting services according to Section 84(2) of the Local Government Municipal Structures Act, (Act 117 of 1998), within its respective area of jurisdiction as agreed with the Provincial Government.

The District Municipality has entered into service level agreement to get the function being temporarily performed by the District Municipality till the statutory capacity assessment is conducted by the MDB to enable the MEC to make the necessary adjustments.

### Challenges

- Budget constraints to do maintenance of fire station facilities, vehicles and equipment
- Lack of appropriate fire stations facilities and amenities at the towns of Bloemhof, Christiana.
- Insufficient capacitated personnel to render effective efficient fire services.
- Adjustment of powers and functions to absorb Lekwa-Teemane Firefighting service.
- Insufficient and unreliable and poorly maintained water infrastructure (fire hydrants) for firefighting purpose
- Fire stations only available in main towns and non-existent in more remote and deserving towns, Lack “tools of trade” enabling the services to full fill it mandate. (Independent, reliable communication system)
- Adjustment of powers and functions to absorb Lekwa- Teemane and Naledi firefighting service.

### Proposed Solutions

- Provide additional 16 fire fighters per year to deal with the backlog of 81 fire fighters.
- Budget allocation to be increased to expectable norms and standards (8% of value of capital asset to be maintained)
- Replace redundant fire appliance and budget to replace those in excess of 15 years (12 fire appliances = R 66 m) over the next five year period.
- Sufficient provision to be made within the next financial year's budget for standardization of

Facilities

- Satellite stations to be established
- Capacity building to be implemented further

- Absorption of Lekwa-Teemane and Naledi firefighting services to be provided for within the 2022/23 financial year.

District Fire Service Data						
	Details	Year -1	Year 0		Year 1	
		Actual No.	Estimate No.	Actual No.	Estimate	
1	Total fires attended in the year	389	300	350	499	350
2	Total of other incidents attended in	88	110	110		110
3	Average turnout time - urban areas	30	30	30	30	30
4	Average turnout time - rural areas	2,5 hrs	2,5	2,5 Hrs		2,5 hrs
5	Fire fighters in post at year end	69	69	69	69	69
6	Total fire appliances at year end	18	18	19	20	19
7	Average number of appliance off the road during the year	2	0	0	2	0

Fire Calls

In a year which has been difficult for the fire protection industry due to the disruptions of Covid-19, the Annual Fire Statistics that bring at least some partial good news.

The 2021/22 figures compiled by the office with the input of fire services around the district municipality show a steadily increased in fires versus the previous year's figures.

According to the latest figures, the total number of fires increased from 407 to 499 fires recorder in the previous year. The number of grass fire has decreased from 278 to 208 in the current year. The reason for this drastic decreased can be the above-normal rainfall experienced during this raining season.

The number of Transport related fires (Heavy goods vehicles) has also increased. Our compiled figures show that transport related fires increased from one (1) during previous year to seven (7) in 2021/22. Road Transport carries transport more valuable cargo loads efficiently, but with more exposure risk to possible accidents and consequential fires.

Fire Loss

Residential and transport losses continue to climb from R20 m in 2021/22 to R72 m in the current year. This is mainly due to the Christiana Hospital fire that was experienced in this financial year. Building replacement costs are increasing as formal housing developments expand.

Informal settlements are, of course, an on-going challenge and in 2021/22 there were 33 recorded fires related to informal dwellings.

Common causes of informal dwelling blazes include heating and cooking -activities. But in a significant number of informal dwelling incidents of 22% of which the cause was undetermined.

Fires related to formal dwellings exceeded the number for informal dwellings – 77 formal dwelling fires

vs. the 33 fires for informal dwellings. But deaths in formal dwellings were far higher and if these fatalities could be reduced, then the national death toll from all fires would fall markedly.

Fires resulting from electrical faults and open flames are a common cause in formal dwellings. So too are heating fires activities. Anecdotally, load shedding may be playing a part in this, with stoves being left on when the power goes off and then forgotten later when power is restored. There are instances when a gas cooker has been placed on a non-functioning stove, only for the stove to come on later and the gas heated to the point that ignition occurs.

#### Fire Services

Of the nearly 499 fire calls attended. 42% were to deal with fires involving grass, bush and agriculture. This is a seemingly frivolous, time-consuming activity that must however be dealt with to protect structures under threat, as well as valuable grazing land.

The Fire services also attended to 153 motor vehicle incidents with a devastating amount of 65 fatalities.

The cost of curtailing these incidents continues to be draining on available resources and is extremely costly.

Fire Policy Objectives Taken From IDP								
Service	Outline Service Targets	Year -2		Year -1		Year 0		Year 1
Service	Outline Service Targets	Target	Actual	Target	Actual	Target	Actual	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vii)	(viii)	(ix)	(x)
Service Objective								
Provision of Fire Prevention Services	100 x Fire prevention inspections conducted	Conducted 100 x fire prevention inspections	107 Target reached	100 x Fire prevention inspections	83 x Fire prevention inspections conducted	120 x Fire prevention inspections	151 x Fire prevention inspections	120 x Fire prevention
Provision of Fire Prevention Services	Conduct four awareness campaigns each quarter total (10 per annum)	10	13	10	9	10	14	Conduct 10 awareness campaigns per annum

Employees: Fire Services					
Job Level	Year -1	Year 0			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	
0 – 3	1	2	1	1	50%
4 – 6	2	16	12	4	20%
7 – 8	41	49	31	18	30%
10 - 11		0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	44	67	44	23	27%

Financial Performance Year 0 : Fire Services					
R'000					
Details	Year -1	Year 0			Variance to
	Actual	Original Budget	Adjustment Budget	Actual	
<b>Total Operational Revenue</b>	26 707	30 819	32 623		%
Expenditure:					
Fire fighters	20 648	27 584	29 460		
Other employees	0				%
Repairs and Maintenance	604	2685	2492		%
Other	3 000	550	670		%
<b>Total Operational Expenditure</b>	24 253	30 819	32 623		%
<b>Net Operational Expenditure</b>	N/A				%

Capital Expenditure Year 0 : Fire Services					
					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original	Total Project Value
N/A	N/A	N/A	N/A	N/A	N/A

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### 3.22 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

#### **INTRODUCTION TO DISASTER MANAGEMENT ETC.**

##### Analysis

This District Disaster Management Plan expounds the start of the longer-term process to follow with a comprehensive plan containing a clear understanding of the District Municipality's policy statement, the district municipal framework for Disaster Management and the strategy (including methodologies to provide support to local municipalities to operationalize disaster management in Dr. Ruth S Mompoti District Municipality) embarked upon.

Capacity constrains at our local municipalities prevents collateral support in sharing resources fundamental to disaster responses and recovery functions. Weak and non-existing local municipal infrastructure in some of the local Municipalities within the District result in weakness and ineffectiveness to activate disaster response and recovery plans.

Currently there are limited dedicated funds for Disaster Management interventions. As a result, resources are not released to maximize the effectiveness of response activities.

The funding arrangement as set out in the Disaster Management Act, 57 of 2002, are inadequate to address the need to fund support response and recovery efforts, such as humanitarian relief aid, rescue efforts, disaster containment activities, provision of immediate basic services, emergency health services and critical infrastructure repair.

The existing arrangements as implemented by Social Development follow a vetting process and only assist people already registered for social grants on their system. Social Development does not cater for all people affected by an incident of a disaster. There is a need to assist affected community members on a need only basis. Social Development Department needs to align the guidelines "SASSA'S response to disasters" in order to ensure effective systems, structures and procedures to effectively and efficiently deal with these challenges.



## **COVID 19 PANDEMIC**

We have learned important lessons through COVID 19 pandemic as this will have a long lasting positive impact in how we conduct business as Government and deliver services to the people. The world as we have known it before 26th March 2020 has changed!

-How do we address the Health Crises?

Use communication to inform and build trust. Social distancing.  
Mass screening and testing.  
Contact tracing, tracking and treatment

-How do we address the Economic Crises?

Provide clear guidance for reengaging in economic and social activity. Use data to identify the hardest-hit areas  
Conduct an industry/sector assessment.  
Engage private sector participation to revive certain sectors. Retrofit infrastructure and civic assets.

-How do we keep the "business of government" operating

People: Management of public employees as well as other partners of government are likely to be irrevocably changed. In the Recovery phase, safeguarding the health and safety of public employees will likely be an area of emphasis, as well as optimizing the use of remote work.

The COVID-19 crisis has demonstrated clearly that rules and regulations that hinder public service should be altered or removed quickly.

Serve the public: Expectations for service will only grow after the COVID-19 crisis. In the short term, government must be able to sense and react rapidly to changes in the pandemic.

Communicate. Getting back to normal won't be easy for anyone, and the public may be confused by changes due to COVID-19. They are likely to wonder, for example, if there will be changes in service offerings or office hours. Transparency can help build understanding while services slowly come back to acceptable levels.

## **CHALLENGES AND PROPOSED INTERVENTIONS**

Disaster Management at District and Local Municipal levels need to address the following shortcoming and challenges.

- Lack of sufficient personnel to establish and maintain institutional arrangements that will enable the implementation of the Act (which should include recruitment of staff)
- A general lack of preparedness for disaster on the part of communities to facilitate the development, implementation and maintenance of disaster risk reduction strategies that will result in resilient areas, communities, households and individuals
- Over-reliance on the District Municipality by Local Municipalities: Measures to be implemented to develop progressive risk profiles to inform the IDP processes of municipalities for the purposes of disaster risk reduction and to determine the effectiveness of specific disaster risk reduction programmes and projects undertaken
- Uninformed and unprepared communities: To develop and implement mechanisms for creating public awareness to inculcate a culture of risk avoidance

Three national state of Disasters were declared during this period under review, namely:-

### **AFTERMATH OF AGRICULTURAL, HYDROLOGICAL AND SOCIO-ECONOMIC DROUGHT NATIONAL DISASTER)**

Due to prolonged lower-than-normal rainfall since the year started, drought conditions are being experienced across the country. This has led to water shortages in a number of public water supply schemes/dams.

The district were assisted by the Farmer Support Directorate of the Provincial Department of Agriculture to coordinate the assessment and compile reports in order to determine the magnitude and severity of the drought on the Agricultural sector.

### **COVID -19 PANDEMIC AS A NATIONAL DISASTER**

Dr Mmaphaka Tau, in his capacity as Head of the National Disaster Management Centre after assessing the potential magnitude and severity of the COVID -19 pandemic in the country, give notice that on 15 March 2020, in terms of section 23(1)(b) of the Disaster Management Act, 2002 (Act No. 57 of 2002) (the Act), classified the COVID -19 pandemic as a national disaster.

The National Coronavirus Command Council has decided to enforce a nation-wide lockdown with effect from midnight on Thursday 26 March.

This is a decisive measure helped to save millions of South Africans from infection and save the lives of hundreds of thousands of people.

While this measures is having a considerable impact on people's livelihoods, on the life of our society and on our economy, the human cost of delaying this action would be far, far greater.

### **TROPICAL STORM ELOISE AND SUMMER SEASON RAINS**

During the month of February 2021 above-normal rainfall and storm water caused damage to infrastructure in Naledi, Lekwa Teemane Greater, Taung and Kagisano/Molopo Local Municipalities.

As a result, various areas across the province have reported flood related damages of the road infrastructure, housing infrastructure, agricultural infrastructure and communities have been isolated and are unable to attend to work, school or to receive government and other services eg. health service/social grants etc.

Considering the magnitude of the damage caused by the strong winds and floods of the tropical storm Eloise and the summer seasonal rains, and following the classification of these occurrence as a national disaster by the head of the National Disaster Management Centre, and taking into account the need to augment existing measures undertaken by organs of state to deal with the national disaster Dr Nkosazana Dlamini Zuma, the Minister of Cooperative Government and Traditional Affairs Designated under Section 3 of the Disaster Management Act, (Act 57 of 2002) ("The Act"),in term of,

1) Section 27(1) of the Act, declared a national state of disaster having recognised the special circumstances exit to warrant the declaration of a national state of disaster.

## **COMMUNICABLE DISEASE (FOOT AND MOUTH) (PROVINCIAL DISASTER)**

The Department of Agriculture, Land Reform and Rural Development reported on the good progress that has been made in the investigation of the foot-and-mouth disease (FMD) outbreak in KwaZulu-Natal and Limpopo Province.

Following initial trace-back exercises, the outbreak was linked to four auctions, held at two auction premises in September and October 2019. Testing of the primary linked locations is almost completed and a number of secondary locations have been identified for follow-up testing. Precautionary quarantine has already been lifted on 127 of the linked locations that have since tested negative

Employees:Disaster Management,Etc.					
Job Level	2017/2018	2018/19			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime eg) No.	Vacancies (as a % of %)
0-3	1	2	1	1	50%
4 - 6	1	1	1		N/A
7 - 9	5	5	5		N/A
10-			1		N/A
16 -					N/A
19 -					N/A
Tota	7	8	8		12,5%

### Overall Comment

This District Disaster Management Plan expounds the start of the longer-term process to follow with a comprehensive plan containing a clear understanding of the District Municipality's policy statement, the district municipal framework for Disaster Management and the strategy (including methodologies to provide support to local municipalities to operationalize disaster management in Dr. Ruth Segomotsi Mompati District Municipality) embarked upon.

The Disaster Management section lack sufficient personnel to establish and maintain institutional arrangements that will enable the implementation according to the minimum requirements of the applicable legislations.

Local Municipalities generally lack preparedness to deal with incidents of disasters and to facilitate the development, implementation and maintenance of disaster risk reduction strategies that will result in resilient areas, communities, households and individuals. Local Municipalities over-relies on the Dr Ruth S Mompati District Municipality to implemented and develop progressive risk profiles that will inform Local Municipal IDP processes of disaster risk reduction.

There is a need to create public awareness to inculcate a culture of risk avoidance in uninformed and unprepared communities.

### Dr Ruth S Mompati district municipality disaster risk

Management plan for alignment/integration between the IDP and dmp In terms of section 26(g) of the municipal systems act, 200, act 32 of 2000, a municipality's IDP Must contain a disaster management plan. Development projects in the municipality, as contained in The municipality's IDP, is thus interlinked with disaster management planning and activities. Risk Reduction projects identified as part of disaster risk management planning, such as those identified In this plan and the contingency plans developed and risk assessments should be included into the Dr Ruth S Mompati district municipal IDP. There are eight key planning points or requirements that Must be applied by all municipal organs of state and municipalities when planning for disaster risk Reduction initiatives. These must form part of the annual reporting of the municipalities and Municipal organs of state to the dmc.

1. Use disaster risk assessment findings to focus planning efforts.
2. Establish an informed multidisciplinary team with capacity to address the disaster risk and identify

1. A primary entity to facilitate the initiative.
2. Actively involve the communities or groups at risk.
3. Address the multiple vulnerabilities wherever possible
4. Plan for changing risk conditions and uncertainty, including effects of climate variability.
5. Apply the precautionary principle to avoid inadvertently increasing disaster risk.
6. Avoid unintended consequences that undermine risk avoidance behavior and ownership of
7. Disaster risk.
8. Establish clear goals and targets for disaster risk reduction initiatives, and link monitoring and evaluation criteria to initial disaster risk assessment findings.

A number of risk reduction measures can be identified related to the highest rated identified risks. These measures should be decided upon in consultation with the relevant responsible departments. Some of the possible measures are listed in the attachment above.

## COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

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### 3.23 SPORT AND RECREATION

Sport and Recreation is responsible for the maintenance, improvement and promotion of all activities and assist with support to develop infrastructure of sport facilities in the district. The main of sport and recreation is to integrated local sport and recreation activities in the Local Municipalities, to transfer sustainable skills to the local sport people through development programmes. The ultimate is to ensure that all sporting codes are managed effectively and efficiently and running well in the district.

#### SOCCER

Mayoral Cup is an annual event that seeks to touch the rural schools that are sometimes forgotten and neglected. Schools are identified with the help of councillors and Department of Education. Learners are transported to a central venue. Before the Mayoral games start coaching of soccer and netball take place. Teachers are involved to ensure that lessons learnt are not easily forgotten. When the game starts they receive equipment. It is rotating so that all municipalities in the District get a chance to host these type of events

#### CRICKET

Cricket development are starting to gain momentum in the District and a team are playing in a provincial league. Playing fields are hampering progress of the code

## RUGBY

Although the code exist in some of the schools the progress is not well. It is difficult to give better support due to financial constraints. The federation and lotto will be engaged.

## NETBALL

The growth in netball is satisfactory and all areas are active. Good relations exist with the Netball Federation.

Meetings have been held with municipalities to develop Sports fields and federations through the Sports Council has been motivated to come on board to develop scarce codes. The availability of maintain sports fields in our District is a big challenge due to financial constraints. Sports specific person in Municipalities must be appointed for better coordination of sports activities. Provincial federations must ensure that their codes are develop and Sports Councils must play a bigger role in far rural areas. Lists are made of clubs and organization's to include in new budgets, but it must be noted that the budget of district is limited.

The municipality has no capital project budget for Sports and Recreation. The amount is allocated from operational budget of the municipality. The municipality only budgeted for support of sporting codes in the district. This is as a result of municipal powers and functions. Sport is not a core function of the municipality- it is the core function of Department of Sports. The district municipality is just providing a supportive role to communities on certain sporting codes

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

The main objective is to provide support and auxiliary services to all Departments and the political component of the Municipality. Some of the functions include Fleet control, Office accommodation, Effective security services, Reliable and efficient telecommunication service. Timely and well-collated qualitative documents.

A Municipal Council must, within the municipality's financial and administrative capacity and having regard for practical considerations,

- exercise the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the community;
- provide, without favor or prejudice, democratic and accountable government;
- encourage the involvement of the community;
- strive to ensure that municipal services are provided to the community in a financially and environmentally sustainable manner;
- consult the community about the level, quality, range and impact of municipal services and the available options for service delivery;
- give members of the community equitable access to the municipal services to which they are entitled;
- promote and undertake development in the municipality;
- promote gender equity in the exercise of the municipality's executive and legislative authority;
- promote a safe and healthy environment in the municipality; and
- contribute, together with other organs of state, to the progressive realization of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.



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### 3.24 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

The top political office consists of the Offices of the Executive Mayor, Speaker and the Chief Whip. This political management cluster is led by the Executive Mayor. The Municipal Manager is responsible for the administration wing of the municipality. The Executive and Council functioned properly during the year because all scheduled statutory meetings of council and mayoral committee took place. The Annual Budget was also approved thirty days before the end of the Financial Year.

The main function as the district municipality is to provide basic services such as water, sanitation, safe and healthy environment to the communities. Top 3 service delivery priorities were good governance, proper financial management and basic services.

Audit Action Plan on matters raised by the Auditor General during past financial were developed and submitted to Council for noting and referral to MPAC for monitoring. The Audit Action Plan was coordinated by the Internal Audit and management has been meeting weekly to provide feedback on achievement made on addressing issues raised by the AG. MPAC also held monthly meetings to perform oversight on behalf of council.

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### 3.25 FINANCIAL SERVICES

The financial management of the municipality is coordinated under the Budget and Treasury Office as established in terms of S80 of the MFMA. The responsibilities for the municipal coffers including financial management, financial planning, financial accounting and supply chain management are placed within the Budget and Treasury. The staff complement within the BTO is headed by the Chief Financial officer.

The Budget and Treasury Office is divided into two performance units, namely Income, Budgeting and Expenditure Management Unit and the Supply Chain and Reporting Unit. These units are further divided into four sections (Income and Budgeting section, Supply Chain and Asset Management section, Payroll section and Expenditure Management section). These performance arrangements were agreed upon during a strategic planning session which was held by the Budget and Treasury Office during the financial year. The department has gone through the year ensuring that the reporting requirements of the National and Provincial Treasury are timeously done, and that general compliance with the Municipal Finance Management Act is achieved.

The supply chain management arrangements have been decentralized, however, the municipality is in a process of centralizing the supply chain management activities to ensure effectiveness and maximum turnaround times. Capacitation of the supply chain management function of the municipality is still lagging behind following an effort to centralize the unit, thus affecting the fully effective and fully centralized unit. The Supply Chain Management Committees have been running effectively and the procurement turnaround times have improved hugely. The Budget Steering Committee was also established during the year and has been running effectively.

The Budget and Treasury Office of the Dr Ruth Segomotsi Mompati District Municipality is committed to its mandate to provide a comprehensive financial management service to Council and to other departments of the municipality. The department supports the Integrated Development Plan of Council by striving to provide a stable and sustainable financial environment from which Council can deliver services to all inhabitants of the Municipality. One of the critical focus areas for the year was to ensure that the financial records of the municipality are safeguarded and are kept in a manner which is accessible and can be easily available for reference and for audit purposes.

The Corporate Services Department has developed the Human Resources Strategy which will assist the employees of the District Municipality to perform better by sending them to different trainings and short courses as stated in the Workplace Skills Plan. All senior managers and some level 2 managers were enrolled with Wits University to acquire CPMD (F) Which they all completed successfully.

#### Introduction

This report deals with Dr Ruth S. Mompoti District Municipality Health and Safety performance for the 2021/ 2022 financial year.

Compiled By: Thapelo Dikhudu

Email: dikhudut@drsmmdm.gov.za

#### Summary:

Report reviews the Health and Safety performance for 2021/2022

#### Report

This report is in line with the best current practice for reporting on Health and Safety performance. Contents of report highlights that the district is managing risk and identifying improvements, but with slow implementation of Health and Safety recommendations

#### Health and Safety Committee

After the first round of elections, five (5) Safety Representatives were nominated and elected at Taung, Tosca, Christiana, Mamusa and Bloemhof.

Next planned nomination and elections will be conducted for representatives of Mayoral, Community Services and Main Building.

After been nominated and elected, team will be officially appointed by Municipal Manager as OHS Committee members.

2021/2022 financial year, 15 Audits conducted by committee members and Recommendations made to management for implement.

#### Injury on Duty

Three (3) minor cases reported with no serious injuries.

Department of Employment and Labour (DEL)

Follow-up inspections were conducted by Occupational Health and Safety inspectors from DEL at Bloemhof and Christiana Fire Stations. Prosecution case for Christiana was withdrawn after the district complied with notice issued August 2020.

2021/ 2022 Pending OHS Non-Compliance

1. 34 Church Street Building

1.1 Shortage of office space for employees

1.2 Lack of storage facilities

1.3 Shortage of toilets

1.4 Extreme cold condition in winter.

2. Taung Fire Station

2.1 Leaking roof, cracked walls and broken toilets

Plan to appoint contractor/s, matter in the office of Senior Manager: Corporate Services and Community Services.

3. Tosca Fire Station

3.1 No proper sanitary facilities

Plan to erect new structure, matter in the office of Senior Manager: Community Services

4. Ganyesa Fire Station

4.1 Lack of office space for Environmental Health Practitioners

5. Community Services Offices (Vryburg)

5.1 Cracked walls

5.2 Leaking roof

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### 3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

#### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information Technology (IT) in Dr. Ruth Segomotsi Mompati District Municipality is regarded as a strategic resource. It is viewed as both a critical and catalyst function for enabling service delivery at the face of the community.

Key to the strategic nature of ICT in the municipality is the enabling of the municipal key objectives of the municipality in order to meet its constitutional obligations. Municipal ICT enable the achievement of these obligations by deploying relevant information technology solutions.

#### THE FOLLOWING IT ACTIVITIES IS BEEN PERFORMED BY THE IT UNIT DURING THE LAST FINANCIAL YEAR 2020 - 2021

##### **IT Unit Administration:-**

Municipality has appointed 3 permanent Junior IT Technicians. IT unit has 5 permanent IT technicians including the IT Manager.

##### **IT Maintenance and Support Services:-**

IT Technical support services to the users and application support has been performed and achieved.

The following application systems and its licenses have been upgraded, renewed and activated.

Symantec Anti-Virus Management Console – Users Protection Suite

Firewall Network Security

Backup Systems

Protection of an IT Infrastructure through installation of 4 UPS's (Uninterrupted Power Supply)

Installation and configuration of Fiber Optic Cable at the remote sites are performed and achieved: Mayoral and Community Services in order to stabilise network connection.

Configuration of Microsoft Exchange outlook web access, this is to allow users to access municipal emails on smart devices, e.g. smart phone and iPad.

Assist local municipalities with an IT support services as per approval of the accounting officer.

Most of the users are provided with the laptops in order to allow them to work from home as required by Covid-19 regulations.

Municipal backups are scheduled daily and are stored hosted on cloud backup system.

This unit is responsible to implement Municipal Corporate Governance of ICT Policy Framework (MCGICTPF). Municipality has requested Department of Local Government And Human Settlement to assist with implementation of the policy. Some of the requirement are not applicable to the municipality to be implemented.

IT Unit addressing all findings raised by the Auditor General for IT good governance

IT Unit has managed to procured and configure 5 Microsoft Teams application for virtual meetings per departments. This is to allows users to

IT Policies:-

The following draft IT policies are developed and needs Council adoption:

- IT Policy
- Anti-Virus
- Backup and Retention Policy
- Backup and Retention Policy
- Change Management
- Disaster Recovery System
- Email and Internet
- Firewall
- IT Steering Committee Charter
- User Account Management

IT Strategic Plan

IT unit has develop draft IT Strategic Plan. This plan was recommended by the AG to be adopted by Council and be implemented by management.

Challenges:-

Most of the IT services and system upgrade cannot be implemented due to budget allocation.

New applications are currently operating from old servers and sometimes latest applications are not compatible with the hardware.

Movement of IT infrastructure from one office to the other (Office accommodation) affect municipal network services and it may damage equipment's during movement.

Overall ICT Performance

Municipality has fully fledged IT unit, with 5 permanent officials. Some of the IT services are outsourced like internet and telephone management system. IT unit is responsible to perform IT related support services to the users and Councilor's, and to maintain maintenance to the network infrastructure.

Due to limited departmental budget, most of the services are not rendered and/or delay in terms of procurement. Some of the applications are outdated and applications licenses are expired and this

compromised and exposed municipal network to security risk. Old network infrastructure needs to be replaced and continuous maintenance and support on all expired licenses need to be considered.

### **INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES**

This component includes: property; legal; risk management and procurement services.

The aim of Legal Services is to provide proper legal services, including legal advice, legal opinion and contract management to Council and to Management of Dr. Ruth Segomotsi Mompoti District Municipality.

#### **INTRODUCTION**

The legal services unit aims to keep the municipality's staff abreast of all current news, legislation and policies directly affecting them. This will enable them to be continuously informed, as well as ensuring that we meet the legislative requirement to ensure that the municipality complies with the Constitution of the Republic of South Africa, Municipal Systems Act, the Local Government: Municipal Finance Management Act, Municipal Structures Act, Corporate Governance Prescripts, SALGBC Collective Agreement, internal policies as well as other relevant applicable legislation and information. We further aim to successfully defend the municipality in litigation cases and where there is a need, endeavour to resolve all legal disputes that may arise during the implementation of strategic objectives with optimal utilisation of available limited resources.

#### **CHALLENGES**

It should be highlighted that in the execution of our functions we have identified challenges such as lack of proper contract management, limited resources and in some instance lack of capacity to manage projects successfully. Some of these challenges contribute greatly to unsuccessful defence of litigations.

#### **ACHIEVEMENTS/SUCCESS**

It must however be noted that we do successfully defend most of our Bargaining Council cases. We further try to manage all bargaining council cases internally in order to minimise expenditure as well as build capacity within the legal unit and ultimately within management. All litigation cases are promptly attended to in order to avoid any potential default judgment against the municipality. The Unit is also responsible for the logistics and guidance in disciplinary hearings against the officials.



## **WAYFORWARD**

We plan to organise frequent workshops for management and where possible staff in general so that we build a system that does not mostly resolve issues but rather prevents unpleasant situations to ensure healthy labour relations and most importantly delivery of best services to our communities. Furthermore, we do report good progress and development when it comes to compliance with legislation. Though it is not always easy to achieve 100% of our goals, we must indicate that the unit has been doing an excellent job when it comes to handling all law suits against and for the Council. We are gradually building the unit into one that can achieve at least 99, 9% win on our cases. We have identified that the municipality is losing more budget on matters arising from inappropriate contract management system as well as poor policy implementation. It is important to note that contracts and policies require intensive attention, greater amount of time and sufficient man-power. It becomes challenging to manage policies and contracts if there is no simplified management strategy because, these documents come in great volumes and on the other hand the law develops every day. Therefore having to go through these documents in detail on a daily basis may consume more time that would be required to also attend to new cases coming in on daily basis. To simplify this task, we have developed contracts and policy registers. The contract register clearly indicates the commencements and ending dates, amounts/value and purpose of the contract. In that way, as a unit we are in a better position to monitor and review our contracts and policies on a regular basis without delaying other activities that need our attention and commitment.

## **CONCLUSION**

We endeavour to achieve 100% compliance with the law and 100% win in all legal matters at hand as well as those that may still come. We are and will always work hard to make sure that none of the regulatory laws and processes are compromised. We do this to ensure that our municipality achieves its mission and vision.

## COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, Municipal Courts and Forestry as municipal enterprises.

Not a function of the District

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the current year on the Top Layer(organizational) SDBIP

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
A	To promote a Culture of Participatory and Good Governance	Good governance and public participation	Public Participation and Good Governance	Number of risk registers updated by 30 June 2022	4 registers	4 risk registers updated by 30 June 2022	4 risk registers updated by 30 June 2022	4	4 risk registers updated	0	None	None	Signed off risk register/report	A. Consolidated Risk Register	POE in line with means of verification.
B	To promote a Culture of Participatory and Good Governance	Good governance and public participation	Public Participation and Good Governance	Number of progress reports on the implementation plan of the Post Audit Action Plan by 30 June 2022	1	4 progress reports on the implementation of the Post Audit Action Plan by 30 June 2022	4 progress reports on the implementation of the Post Audit Action Plan by 30 June 2022	4	4 progress reports on the implementation of the Post Audit Action Plan were completed	0	None	None	Consolidated PAAP report	B. PAAP Reports	POE in line with means of verification.

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
C	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Municipal Financial Viability	Municipal Financial Viability and Management	% of approved Municipal Budget Spent by 30 June 2022	New	100% of approved Municipal Budget Spent by 30 June 2022	100% of approved Municipal Budget Spent	100%	53% expenditure	- 47%	None	None	Financial statements/ reports.	C. Section 52d report for Q4	Target not achieved as only 53% expenditure

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
D	To improve overall financial management in the municipality by developing and implementing appropriate financial management procedures and systems	Municipal Financial Viability	Municipal Financial Viability and Management	Develop and submit 2022/2023 Draft Budget to Council by 31 March 2022	Draft budget submitted timely	Develop and submit 2022/2023 Draft Budget to Council by 31 March 2022	Draft Budget to Council for noting and input	1	2022/2023 Draft Budget was submitted to Council for noting and inputs	0	None	None	Draft budget and Council resolution	D. Draft Budget Resolution, Quality Certificate and Municipal Annual Budgets and MTR EF & Supporting tables	POEs are in line with means of verification.
E	To promote a Culture of Participatory and Good Governance	Good governance and public participation	Public Participation and Good Governance	Develop and submit the Budget process plan council by 31 May 2022	Budget adopted timely	Develop and submit 2022/2023 budget to Council by 31 May 2022	Submit 2022/2023 budget to Council for adoption	1	The budget was adopted at 30 June 2022 with the IDP. However as per the	0	None	None	Final budget and Council resolution	E. Agenda, Draft Budget 2022/23, Minutes, Draft Budget	Target achieved, POE in line with means of verification

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
									target, the items were submitted to Council before the end of May 2022					Assessment 2022/23	
F	To promote a Culture of Participatory and Good Governance	Good governance and public participation	Public Participation and Good Governance	Number of Mayoral committee meetings held by 30 June 2022	At least 4 meetings held	4 Mayoral committee meetings held by 30 June 2022	4 Mayoral committee meetings held	4	No mayoral committee meetings were held by set date	-4	Political structure changes	Schedule of activities to be adopted by Council. Mayoral committee will begin in the first quarter of 2022/2023 financial year	Minutes and attendance registers	F. No POEs provided	Target not achieved as no POEs were provided

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
G	To promote a Culture of Participatory and Good Governance	Good governance and public participation	Public Participation and Good Governance	Number of Council Meetings held by 30 June 2022	At least 4 meetings held	4 Council Meetings held by 30 June 2022	4 Council meetings held	11	4 Ordinary Council meetings and 6 Special Council were held	0	The variance is because of special council meetings	That the statutory and special council meetings should be separated in terms of KPIs	Minutes and attendance registers	G. Council Meeting Minutes and Attendance Registers	POE in line with means of verification.
H	To promote a Culture of Participatory and Good Governance	Good governance and public participation	Public Participation and Good Governance	Develop and submit 5 year IDP to council for adoption by 31 May 2022	Reviewed IDP Submitted by 31 May	5 year IDP submitted to Council for adoption by 31 May 2022	5 year IDP submitted to Council for adoption	N/A	5 year IDP was submitted to Council for adoption	0	None	None	5 year IDP and Council resolution	H. IDP Council Resolution	POE in line with means of verification.
I	Improve organizational cohesion and effectiveness	Municipal transformation and organizational development	Institutional Development and Transformation	Workplace Skills Plan Developed and Submitted to LGSETA by 30 June 2022	WSP submitted timely	Workplace Skills Plan Developed and Submitted to LGSETA by 30 June 2022	Workplace Skills Plan Developed and Submitted to LGSETA by 30 June 2022	1	One Workplace Skills Plan was developed and submitted to LGSETA	0	None	None	Workplace skills plan and submission evidence /acknowledgement thereof	I. SDF Reports, Acknowledgement letters, WSP Assistance	Target Achieved, POE is in line with means of verification.

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
														Request Report Letter, Letter of extension	
J	All citizens have a right to an environment that is not detrimental to human health, and it imposes a duty on the State to promulgate legislation and to implement policies aimed at ensuring that	Basic Service Delivery and Infrastructure Investment	Community Services and development	Number of inspections on food premises conducted by 30 June 2022	3343 as per APR 18-19	200 inspections on food premises conducted by 30 June 2022	200 inspections on food premises conducted	1734	200 inspections on food premises were conducted	0	None	None	Food premises inspection reports	J. Food Premises Inspection Reports	POE in line with means of verification.



Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
	this right is upheld – Environmental health, Fire and Disaster Management and Solid Waste Management														

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
K	All citizens have a right to an environment that is not detrimental to human health, and it imposes a duty on the State to promulgate legislation and to implement policies aimed at ensuring that this right is upheld – Environmental health, Fire and Disaster	Basic Service Delivery and Infrastructure Investment	Community Services and development	Number of bacteriological, chemical and sewerage water samples collected for analysis by 30 June 2022	1311 as per APR 2018-2021	1100 bacteriological, chemical and sewerage water samples collected for analysis by 30 June 2022	1100 bacteriological, chemical and sewerage water samples collected for analysis by 30 June 2022	1147	1100 bacteriological, chemical and sewerage water samples were collected	0	None	None	Bacteriological, chemical and sewerage water samples collected for analysis	K. Water Sample Results	POE in line with means of verification.

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
	Management and Solid Waste Management														

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
L	All citizens have a right to an environment that is not detrimental to human health, and it imposes a duty on the State to promulgate legislation and to implement policies aimed at ensuring that this right is upheld – Environmental health, Fire and Disaster	Basic Service Delivery and Infrastructure Investment	Community Services and development	Number of Fire Prevention Inspections at Local Businesses Conducted by 30 June 2022	107 as per APR 18-19	100 Fire Prevention Inspections at Local Businesses Conducted by 30 June 2022	100 Fire Prevention Inspections at Local Business Conducted by 30 June 2022	121	100 Fire Prevention Inspections at Local Businesses were Conducted	0	None	None	Fire prevention inspection reports at local business	L. Fire and Disaster Inspection Reports	POE in line with means of verification.

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
	Management and Solid Waste Management														

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
M	Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	Number of jobs created through capital projects and registered with EPWP by 30 June 2022	511 as per APR 18-19	400 jobs created through capital projects and registered with EPWP by 30 June 2022	400 jobs created through capital projects and registered with EPWP by 30 June 2022	589	271	-129	None provided	None Provided	Signed off report/Job contract/job list against vs job created/ Actual numbers	M. Contracts vs incomplete list	POEs received incomplete therefore the actual performance cannot be verified
N	Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	% total allocated (gazetted) MIG grant funding spent on capital projects by 30 June 2022	New	100% total allocated (gazetted) MIG grant funding spent on capital projects by 30 June 2022	100% of MIG Spent on capital projects	100%	98%	0%	N/A	N/A	MIG expenditure reports (other supporting documentation like invoices etc is the responsibility of Senior Manager especially for audit purposes	N. MIG Report	POEs received incomplete therefore the actual performance cannot be verified

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
O	Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	% of the total allocated (gazetted) WSIG grant funding spent on capital projects by 30 June 2022	New	100% of the total allocated (gazetted) WSIG grant funding spent on capital projects by 30 June 2022	100% of WSIG funding spent on capital projects	100%	100%	0%	N/A	N/A	WSIG expenditure reports (supporting documentation like invoices etc is the responsibility of Senior Manager especially for audit purposes)	0.WSIG Report	POEs received incomplete therefore the actual performance cannot be verified
P	Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	% total allocated (gazetted) RBIG grant funding spent on capital projects by 30 June 2022	New	100% total allocated (gazetted) RBIG grant funding spent on capital projects by 30 June 2022	100% of RBIG Spent on capital projects	50%	50%	- 50%	No approval for projects in Kagisano-Molopo Local Municipality. Non-Performance of Construction Unit West and Comm	None provided	RBIG expenditure reports documentation other like invoices etc is the responsibility of Senior Manager especially for audit purposes)	P. RBIG Recon	POEs received incomplete therefore the actual performance cannot be verified

Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
											unity unrests in other projects.				
Q	Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	Number of land use management applications approved by 30 June 2022	New	1 land use management applications approved by 30 June 2022	1 land use management applications approved by 30 June 2022	N/A	1	0	None	None	Land use management approval report/letter	Q. Report and Letter of Approval	POE in line with means of verification



Index	IDP Objective	National KPA	Municipal KPA	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Achievement 2020/21	Actual Achievement 2021/22	Variance	Variance Reason	Corrective Measure	Means of Verification	Actual POE	PMS comments (For Internal and Auditor General Use Only)
R	Create an environment that promotes the development of the local economy and facilitate job creation	Local Economic Development (LED)	Local Economic Development	Number of economic development plans developed (SMME hub, Agriculture and Tourism) by 30 June 2022	New	100 SMMES supported through Projects and Initiatives	100 SMMES supported through Projects and Initiatives	347	44	-66	The department could not undertake this activity due to lack of budget funding	The much - expected budget adjustment should be able to assist with budget provision for the activity above.	Signed internal Report and register from SMMEs acknowledging support	R. Non-Achievement Memo and Attendance Registers	Insufficient POEs were attached hence PMS will regard it as not achieved

## **PERFORMANCE OF EXTERNAL SERVICE PROVIDERS**

### **Annual performance reports**

46. (1) A municipality must prepare for each financial year; performance

(a))Report reflecting the performance of the municipality and of each external service Provider during that financial year:

(b) ) a comparison of the performances to previous year

(c) Measures taken to improve performance.

(2) An annual performance report must form part of the municipality's Annual report in terms of Chapter 12 of the Municipal Finance Management Act."

Performance of the service providers were not monitored, measured and reported according to the agreed and accepted deliverables in the year under review

Appropriate remedial actions are going to be implemented in cases of poor and/or under performance and continuously monitored by the end-user departments.

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

In the previous two financial years the municipality has reviewed 17 administrative policies which govern the daily operation of the institution and the entire workforce. Such policies are explained and work shopped with the employees in order to promote the spirit of good governance in the workplace. Prior to the approval of the policies by the municipal council the relevant stakeholders are consulted such as Local Labour Forum, employees, management and councilors and labor unions.

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

The district municipality has lost a few officials due to various reasons of which most of them were in connection with greener pastures. That is why the turn-over rate is so minimal. Vacant funded position have been advertised and the process of Recruitment and Selection is under away which will be finalized in due course

#### 4.1. EMPLOYEE TOTALS TURNOVER AND VACANCIES

Description	Number of employees	Approved Post No.	Employee No.	Vacancies No.	Vacancy Rate
Water and Sanitation	15	20		5	25%
LED	12	18		6	33.33%
Planning	7	12		5	41.66%
Community & Social Services	64	108		44	40.7%
Audit	14	17		3	17.6%
BTO	18	25		7	28%
Corporate	37	45		8	17.7%
Office of the MM	15	18		3	16.6%
Office of the Speaker	12	12		0	0%
Office of the Executive Mayor	8	8		0	0%

#### Vacancy Rate: Year

Designations	Total approved Posts	Vacancies No.	Vacancies %
Municipal Manager	1	1	100%
CFO	1	0	0
Other S57 Managers	6	5	83%

**Turn-over Rate**

<b>Details</b>	<b>Total Appointments as of beginning of Financial Year No.</b>	<b>Terminations</b>	<b>Turn-over Rate*</b>
<b>Year 2</b>	<b>43</b>	<b>20</b>	
<b>Year 1</b>			

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

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### 4.2 POLICIES

The Municipality's reviewed policies which are explained to the workforce as and when are adopted by Council or reviewed periodically. The workforce through the Local Labour Forum, as an important stakeholder, in the development of such policies is properly consulted on all matters of mutual interest. The departments, units and the organization in general holding continuous staff meeting in order to create a platform for the staff to air their views in matters of mutual interest. The policies were reviewed in December at Haartbeesportdam but not yet approved by Council.

## HR Policies and Plans

HR Policies and Plans				
No.	Name of Policy	Completed %	Reviewed %	NOTE
1	Allowances Policy	100	100	ALL POLICIES YET TO BE ADOPTED BY COPUNCIL
2	Assets management policy	100	100	
3	Banking and investment	100	100	
4	catering Policy	100	100	
5	Credit control Policy	100	100	
6	Leave and overtime Policy	100	100	
7	Recruitment and Selection Policy	100	100	
8	Expenditure management Policy	100	100	
9	Funeral policy	100	100	
10	Insurance management policy	100	100	
11	Notebook and mobile computing policy	100	100	
12	Petty cash policy	100	100	
13	Recruitment and selection policy	100	100	
14	S&T policy	100	100	
15	SCM policy	100	100	
16	Vehicle allowance policy	100	100	

#### **4.3 INJURIES, SICKNESS AND SUSPENSIONS**

The municipality has not recorded any injuries, in the year under review.

##### Sick leave

<b>Number of days and Cost of Sick Leave (excluding injuries on duty)</b>						
<b>Salary band</b>	<b>Total sick leave</b>	<b>Proportion of sick leave without medical certification</b>	<b>Employees using sick leave</b>	<b>Total employees in post*</b>	<b>*Average sick leave per Employees</b>	<b>Estimated cost</b>
	<b>Days</b>	<b>%</b>	<b>No.</b>	<b>No.</b>	<b>Days</b>	<b>R' 000</b>
Lower skilled (Levels 0-2)/0 to 3	94	04	18	18	5.22	59596.00
Skilled (Levels 3-5)/4 to 6	118	00	20		5.9	136172.00
Highly skilled production (levels 6-8)/7 to 12	103	02	21	36	4.9	169641.00
Highly skilled supervision (levels 9-12)	192	00	16	41	12	464832
Senior management (Levels 0-2)						
MM and S57	03	00	01		3	4359

An employee is given 80 days in a three year cycle on full pay. An employee is required to submit a medical certificate from a registered medical practitioner if more than two consecutive days are taken. If an employee is absent on two occasions during an eight week period and failed to produce a sick note irrespective of the number of days taken the employer is not obliged to pay. Such as employee. Should an employee develop a behavioral pattern of abusing sick leave, the immediate supervisor may request sick note from such as employee every time she/he takes sick leave

#### **4.4 PERFORMANCE REWARDS**

Performance Management System is currently applicable only on section 56 managers. It has not been cascaded down to employees below section 56 managers. No performance evaluations were done for section 56 managers.

## **COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE (4.5)**

The District Municipality has a Workplace Skills Plan in place to develop and capacitate its staff. In terms of the Plan and many officials were trained in different learning programmes and interventions during the 2021/2022 financial year. In addition, The District Municipality has implemented programmes for the training and empowerment of unemployed graduates and experiential learners

### **Purpose of the report**

The purpose of the report is to outline skills development unit activities for the financial year 01 July 2021 to 30 June 2022. The report is explained by data tables through the next pages that covers the following items;



**Employees and Councillors Trained and Related Expenditure.**

No. Of Employess		No. Of Concillors		Cost R'
Male	Females	Males	Females	
5	6			R491 894.00

**Employees and Councillors Assisted through Bursaries/Employee Study Assistance for their studies and related expenditure.**

No. Of Employess		No. Of Concillors		Cost R'
Male	Females	Males	Females	
3	9			R229 723.31

**Total Expenditure R721 617.31**

**TRAINING PLANS AND IMPLEMENTATION:**

Training plans are developed in consultation with employees through conducting skills audit and skills need analysis. However, there are some deviations during implementation as some training programmes that are not planned are at times provided by sector departments and other government agencies wholly funded.

**VARIANCE BETWEEN BUDGETED AND ACTUAL EXPENDITURE:**

Variances between budgeted and actual expenditure are as a result of escalating training costs and uncoordinated training wherein employees attend training that is not included in the training plan. Also, the financial constraints in which the municipality found itself also contributed to the variances.

**ADEQUACY OF FUNDING:**

Funding for training is not adequate as it does not cover all or most of the employees. The municipality does not budget 1% of the annual payroll as required by Skills Levies Act No 9 of 1999. MFMA

COMPETENCY REGULATIONS: There is a 90% compliance with the regulations as all senior managers and most of managers as well as financial officials have completed MFMA training and were declared competent

**COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE**

The strict control of the workforce budget enables the municipality to implement and achieve the pre-determined objectives as set out in the IDP because all vacant and budgeted posts will be filled immediately the vacancy arise. The workforce budget is spent with the parameters of the approved budget. Appointment is done in terms of the requirements of the post because the salary package is commensurate to the experience and qualifications of the post.

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#### 4.6 EMPLOYEE EXPENDITURE

Refer to AFS Attached

## CHAPTER 5 – FINANCIAL PERFORMANCE

The Municipality adopted the going concern assumption when preparing the annual financial statements for the year under review. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlements of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Municipality also adopted the accrual basis, to account for its revenue and expenditure, while also adopted the approved Statements of GRAP, to record its financial transactions.

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. (Refer to Volume II – Audited financial statements)

Even though the municipality is financially viable, it is a concern that there are still no new or potential revenue base alternatives as the district remains highly rural. The Dr Ruth Segomotsi Mompati District Municipality was not immune to inflationary pressures which arose during the reporting period, these pressures which continued to affect the cash flow status of the municipality.

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The financial statements presented in this report are presented on the basis that the municipality is a going concern. The principles of GRAP have been taken into consideration when preparing these annual financial statements. The annual financial statements have been prepared by consultants and will be submitted on time as prescribed in the Municipal Finance Management Act to the Auditor General.

The total assets of the municipality are adequate to ensure that the liabilities of the municipality are cared covered should anything happen to the municipality's continuity. The asset base of the municipality which is above the liabilities of the municipality as well as other factors that are presented in the financial position of the municipality, show that the municipality is still solvent and therefore still financially healthy.

The AFS has been included in this report as (Volii) - Audited financial statements on pages 244-323 of this report.

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5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Refer to Volume II – Audited financial statements on pages 212-299 of this report.

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## 5.2 GRAP COMPLIANCE

### GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

## **CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS**

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the Auditor-General.

### **COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS**

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#### **6.1 AUDITOR GENERAL REPORTS YEAR 2020-2021**

In the 2020-2021 financial year a Qualified audit opinion was issued by the Auditor General.

### **COMPONENT B: AUDITOR-GENERAL OPINION YEAR 2021-2022 (CURRENT YEAR)**

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#### **6.2 AUDITOR GENERAL REPORT YEAR ENDING 2022 (2021-2022)**

In the 2021-2022 financial year a Qualified audit opinion was issued by the Auditor General.

The Audit report is attached hereto on page 192-203 of this report



## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty

	and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to

	Achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

# **Annexure A Recommendations of the Audit and Performance Committee**

## **DR R.S. MOMPATI DISTRICT MUNICIPALITY**

### **ANNUAL REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE (APAC) FOR THE**

**FINANCIAL YEAR ENDED 30 JUNE 2022**

#### **1. INTRODUCTION**

The Audit and Performance Audit Committee has pleasure in submitting herewith the annual report of the Audit Committee for the financial year ended 30 June 2022.

#### **2. LEGAL FRAMEWORK GOVERNING THE AUDIT COMMITTEE**

**2.1** Section 166(1) of the Local Government: Municipal Finance Management Act, 2003 (Act number 56 of 2003 as amended) (MFMA) requires from each municipality to have an audit committee.

**2.2** In terms of section 166(2)(a) of the MFMA the audit committee is an independent advisory body which must “amongst others” advise the municipal council on matters relating to-

- i. Internal financial controls and internal audits;
- ii. risk management;
- iii. accounting policies;
- iv. the adequacy, reliability and accuracy of financial reporting and information;
- v. performance management;
- vi. effective governance;
- vii. compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- viii. performance evaluation; and
- ix. any other issues referred to it by the municipality.



















**2.3** In addition sections 166(2)(b), (c), (d) and (e) require from the committee to review the annual financial statements, respond to Council on any issues raised by the Auditor-General (South Africa) in the audit report, carry out such investigations into the financial affairs of the municipality and to perform such other functions as may be prescribed by the Council.

#### **3. GOVERNANCE OF THE COMMITTEE**

**3.1** All members of the Audit Committee are non-executive members and all meetings of the committee were held in accordance with the charter of the committee as approved by Council.

The annually revised charter for the committee has been approved by Council. The Chief Audit Executive reports operationally to the Municipal Manager and functionally to the Audit Committee.

**3.2** The Audit Committee has executed its responsibilities in accordance with section 166 of the Local Government: Municipal Finance Management Act, 2003 (Act number 56 of 2003 as amended).

Name	Position in Audit Committee	NUMBER OF MEETINGS ATTENDED		
		27 September (Special APC meeting) 2021	30 November 2021(Statutory Meeting)	22 March 2022 (Statutory Meeting)
Ms. Jane Masite	Chairperson			
Prof. George Malebe	Member			
Adv. Seitabaleng Dikole	Member			
Ms.Lesego Holele	Member			
Ms M. Ralikonyana	Member			
Mr F. Buys (resigned in June 2022) as Chairperson	Member			

**3.5** Risk Management, Anti-Fraud and Anti-Corruption Committee is a management committee chaired by an independent Chairperson (Mr. Stanley Ngobeni) to guide and advise management while providing with the Audit Committee oversight.

**3.6** The APC noted with concern, the non establishment of ICT Steering Committee as the name indicates, is a management Committee to guide and advise management on ICT matters while providing close Audit Committee oversight

**3.7** During the financial year 2021/22 the Council has appointed new Audit and Performance Audit Committee Members together with the chairperson (Ms. S.J. Masite) following the resignation of Mr F.Buys on 30 June 2022.

#### **4. The Effectiveness of Internal Control**

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the municipality revealed certain weaknesses, which were then raised with the municipality. There were several deficiencies in the system of internal control and/or deviations, governance and risk management processes which were reported by the internal auditors during the year under review. In certain instances, the matters reported

previously have not been fully and satisfactorily addressed. The APAC noted management's commitment to correct the deficiencies; However during the related year under review there was inconsistent monitoring of action plans, implementation and progress.

The APAC is concerned on the following;

- ✓ That in most instances the matters reported by the external auditors and the internal audit function in prior years have not been fully and satisfactorily addressed, and that the internal control environment is of concern.
- ✓ The Stability of senior management has also been of concern and has been a contributing factors, based that majority of senior managers were dismissed via Executive Council and Acting managers were appointed.
- ✓ Furthermore the CFO appointed has been on suspension for more than two years on full remuneration. An Acting CFO delegate from Provincial Treasury is in place at the municipality. However Management in place has given assurance that effective corrective action will be implemented in respect of all internal control weaknesses, and the APC will monitor these going forward.

Due to the strategic importance of, and investment in, the modernisation of information and communication technology (ICT) in the municipality, the APAC has monitored the risk register and progress reports on the respective action plans during the year under review. The APAC remains concerned that not all ICT risks are being addressed or mitigated, in implementing the new systems.

## **5. In-Year Management and Monthly/Quarterly Report**

The APAC were not given the opportunity to review the reports that should be issued to National Treasury and the Transferring Officer in terms of the Division of Revenue Act due to the challenge indicated earlier and is not comfortable that the Municipality is meeting its obligation in terms of DORA and has recognised revenue to the extent that conditions have been met.

## **6. Performance Management**

Part of the responsibilities of the APAC includes the review of performance management.

The Committee has in terms of the performance of the municipality performed the following functions:

- ✓ Review and comment on compliance with statutory requirements and performance management best practices and standards.
- ✓ Review and comment on the alignment of the integrated development plan, budget, service delivery and budget implementation plan and performance agreements
- ✓ Review and comment on the relevance of indicators to ensure that they are measurable and relate to services performed by the municipality and its entities.
- ✓ Review of compliance with in-year reporting requirements.
- ✓ Review of the quarterly performance reports submitted by the internal audit function.
- ✓ Review and comment on the municipality's performance management system and making recommendations for its improvement.

The APAC reviewed the functionality of the performance management system and it appears to be functional but not effective. A concern is raised regarding the performance management of the Technical Department. There is a room for improvement in so far as achievement of planned targets as well as compliance with statutory requirements and quality of reporting is concerned and maintenance of record keeping.

## **7. Risk Management**

The APAC is responsible for the oversight of the risk management function. The risk management committee reports to the APAC on the municipality's management of risk. The APAC is of the opinion that municipality's risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has a sound and effective approach that has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment.

The committee notes that the risk committee meetings were convened during the year and reported to the APAC.

Furthermore, the APAC was not provided the opportunity to review the municipality's fraud prevention plan to be satisfied that the municipality has appropriate processes and systems in place to capture, monitor and effectively investigate fraudulent activities.

## **8. Compliance with laws and regulations**

Internal Audit revealed a number of non-compliance with the enabling laws and regulations during the year. Improvement is required in so far as establishing an effective system for

monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

## **9. Internal Audit**

The committee is satisfied that the internal audit division has during the period under review effectively focused its available resources towards identified critical risk areas in accordance with the approved Risk Based Annual Audit plan for 2021/22.

The committee also approved the Risk Based Annual Audit plan for the 2021/2022 reporting period and was given the assurance that every effort will be made by the Accounting Officer to have all the resources available to properly execute the plan.

All Internal Audit activities were completed in-house from a Shared Services- in accordance with the approved Internal Audit Charter and no compromise of the independence or objectivity of the function was observed throughout for the year under review.

The committee noted none improvement in the percentage of audit findings not resolved by management.

The committee also believes that Internal Audit has effectively carried out its mandate and responsibility in accordance with the MFMA and approved Internal Audit Charter.

The internal audit staff has been going through various trainings, and the service offered was re-designed through the exclusion of 02 municipalities (Naledi Local Municipality and Taung Local Municipality) that have established its own Internal Audit Structures.

The APAC expects these initiatives to contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis.

The APAC supports the direction that the internal audit function is adopting in providing the necessary skills and agility required for the function to respond quickly and effectively to the demands for internal audit across the municipalities' various locations.

The internal audit function was previously assessed by the Provincial Treasury on its effectiveness; however the outcome of this assessment is still being awaited. The APAC



recommends peer quality reviews from similar municipalities to be performed at the Internal Audit Unit. This will prepare for the external assessments (QAR), which can be budgeted for in future if the municipality is financially viable and the Internal Audit Department is readily assessed.

#### **10. Progress in implementation of AGSA findings from prior year**

The APAC noted with concern that management may not have addressed all the prior year audit findings and the quality and reliability of the Audit Action Plan maintained, as none was presented to the APAC.

#### **11. Progress on implementations of internal audit recommendations**

Not all of the internal audit recommendations were implemented by management. There is room for improvement in this regard and the APAC recommend to the municipality to ensure implementation of recommendations by Internal Audit.

#### **12. Implementations of Audit and Performance Audit Committee Recommendations by management**

Management did not implement all of the committee recommendations. There is room for improvement in this regard and thus the APAC recommend to the municipality to fast-track the implementation of the committee's recommendations

#### **13. Review of the Draft Annual Financial statements**

The APAC noted the draft annual financial statements (AFS) for financial year ended 30 June 2021 presented by management; however, the audit committee recommended that management should make corrections and improve the quality of the AFS before submitted to the Auditor General.

#### **14. Review of Draft Annual Performance Report**

- ✓ The draft annual report for the year 2021 - 2022 was presented and the following concerns were raised by the APAC:
- ✓ The quality of the document that was presented, as it required work to be done.

- ✓ The committee could not provide assurance on credibility and qualitative of the draft report submitted, as there is still work to be done on information submitted.
- ✓ The document submitted should be revised as the quality thereof is very concerning.

### **15. Unauthorized, irregular, fruitless and wasteful expenditure**

The APAC noted with concern the high amount of unauthorized, irregular, fruitless and wasteful expenditure incurred by the municipality and the matter that it has not been dealt with in terms of section 32 of the MFMA.

### **16. External Audit**

The APAC was provided the opportunity to review the AGSA's Audit Strategy and the audit fees were also agreed upon and approved.

### **17. Audit Outcome**

A meeting was held with the AGSA on the 29 November 2022, relating to Statutory Audit 2021 – 2022 whereby summary of the AG audit opinion was presented. The APC has noted a qualified opinion with concern and urges Accounting Officer and Management to:

- ✓ Improve systems of internal controls and prioritise the proper implementation Post Audit Action Plan that will address the Audit findings root causes.
- ✓ Implement adequate consequence management regarding compliance legislation.
- ✓ Review the over reliance on the usage and dependency on consultants and strengthen the oversight controls regarding work performed by the consultants.
- ✓ On quarterly basis report on the implementation plan for the audit issues raised by the Auditor General.

### **18. Conclusion**

The audit committee notes the qualified audit opinion outcome and that the municipality has remained stagnant and ineffective controls to be addressed by management.

The Audit and Performance Committee wishes to acknowledge and encourage commitment from Council, management and staff of the municipality to:

- ✓ enhance service delivery;
- ✓ implement effective controls with relation to financial processes and reporting, performance reporting and compliance with laws and regulations;

## 19. Appreciation

The Committee would also like to thank the Speaker, Executive Mayor, MPAC, and Councillors for the support, Municipal Manager and Senior Management for their efforts towards clean audit processes and Auditor General and internal audit for their contribution towards clean governance.



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SJ Masite, Charter Internal Auditor

Chairperson of the Audit and Performance Committee

Dr. Ruth Segomotsi Mompati District Municipality Internal Audit Shared Service

### Report of the auditor-general to the North West Provincial Legislature and the council on the Dr Ruth Segomotsi Mompati District Municipality

#### Report on the audit of the financial statements

#### Qualified opinion

1. I have audited the financial statements of the Dr Ruth Segomotsi Mompati District Municipality set out on pages 212 to 299, which comprise the statement of financial position as at 30 June 2022, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Dr Ruth Segomotsi Mompati District Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), and the requirements of the Municipal Finance Management Act 56 of 2003) (MFMA) and the Division of Revenue Act 9 of 2021 (DoRA).

#### Basis for qualified opinion

##### Property, plant and equipment

3. The municipality incorrectly calculated the depreciation expense due to using incorrect remaining useful lives. This resulted in infrastructure and buildings included in property, plant and equipment being overstated by R11 342 748 and the depreciation and amortisation expense being understated by the same amount. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus. Consequently, I was unable to determine whether any further adjustments were necessary to infrastructure and buildings of R1 757 082 676 and R37 698 111 respectively disclosed in note 4 to the financial statements.

##### Bulk purchases

4. I was unable to obtain sufficient appropriate audit evidence for bulk purchases due to a lack of proper controls over the delivery of goods received and services rendered. I was unable to confirm these bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustment relating to bulk purchases of R14 225 555 (2021: R16 047 704), as disclosed in note 31 to the financial statements was necessary.

##### Contracted services

5. I was unable to obtain sufficient appropriate audit evidence for contracted services due to a lack of proper controls over the delivery of goods received and services rendered. I was unable to confirm these contracted services by alternative means. Consequently, I was unable to



determine whether any adjustment relating to contracted services of R314 144 597 (2021: R261 003 244), as disclosed in note 32 to the financial statements was necessary.

### Provision of retail water services

6. I was unable to obtain sufficient appropriate audit evidence that revenue, expenditure and receivables for the current and the previous year's provision of retail water services had been correctly accounted for by the district municipality. Some of the service delivery agreements entered into between the district municipality as water service authority and the local municipalities as water service providers had expired. In terms of section 22 of the Water Services Act 108 of 1997, no person may operate as a water service provider without the approval of the water service authority. I was unable to confirm by alternative means that the local municipalities were authorised to operate as water service providers. Consequently, I was unable to determine whether any adjustments were necessary to revenue, expenditure, receivables or any other items relating to the provision of retail water services by the local municipalities on behalf of the district municipality, as disclosed in the financial statements.

### Irregular expenditure

7. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. The municipality made payments in contravention of supply chain management (SCM) requirements in the current and previous year, which were not included in irregular expenditure disclosed. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement of irregular expenditure of R1 582 685 228 disclosed in note 47 to the financial statements.

### Context for the opinion

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
9. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Material uncertainty relating to going concern

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.
12. As disclosed in note 43 to the financial statements the current liabilities exceed the current assets by R667 147 704 and contingent liabilities, if ordered to settle, will result in R14 990 689 being paid. These events or conditions, along with the other matters as set forth in note 43, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

### Emphasis of matters

13. I draw attention to the matters below. My opinion is not modified in respect of these matters.



## Unauthorised and fruitless and wasteful expenditure

14. As disclosed in note 45 to the financial statements, unauthorised expenditure of R17 977 488 was incurred in the current year and the unauthorised expenditure of R902 451 045 in respect of prior years have not yet been dealt with in accordance with section 32 of the MFMA.
15. As disclosed in note 46 to the financial statements, fruitless and wasteful expenditure of R2 023 062 was incurred in the current year and fruitless and wasteful expenditure of R13 855 098 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

## Restatement of corresponding figures

16. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2022.

## Material losses

17. As disclosed in note 7 to the financial statements, the provision for impairment of other receivables amount to R12 617 450 (2021: R12 407 511) which is 74% (2021: 95%) of the total other receivables from non-exchange revenue due to significant impairment of receivables.

## Other matter

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Unaudited disclosure notes

19. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## Responsibilities of the accounting officer for the financial statements

20. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
21. In preparing the financial statements, the accounting officer is responsible for assessing the Dr Ruth Segomotsi Mompoti municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

22. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



23. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

24. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.

25. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the municipality's annual performance report for the year ended 30 June 2022:

Development priorities	Pages in the annual performance report
KPA – Basic Service Delivery and Infrastructure Developments	162 – 164

26. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

### KPA – Basic Service Delivery and Infrastructure Developments

#### Various indicators

27. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and evidence to be used when measuring the actual achievement for the indicator or that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement for the indicator. This was due to insufficient measurement definitions and processes. I was unable to test whether the indicator was well-defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the reported achievements against the planned targets of the indicators listed below:

Indicator description	Planned target	Reported achievement
% total allocated (gazetted) MIG grant funding spent on capital projects by 30 June 2022.	100%	98%
% of the total allocated (gazetted) WSIG grant funding spent on capital projects by 30 June 2022.	100%	100%
% total allocated (gazetted) RBIG grant funding spent on capital projects by 30 June 2022.	100%	50%
Number of land use management applications approved by 30 June 2022	1	1

#### % total allocated (gazetted) RBIG grant funding spent on capital projects by 30 June 2022.

28. The measures taken to improve performance against target (100%) were not reported in the annual performance report



## Other matter

29. I draw attention to the matter below.

### Achievement of planned targets

30. Refer to the annual performance report on pages 151 to 165 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 27 and 28 of this report.

## Report on audit of compliance with legislation

### Introduction and scope

31. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

32. The material findings on compliance with specific matters in key legislation are as follows:

### Financial statements

33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and/or the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

### Expenditure Management

34. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

35. I was unable to obtain sufficient appropriate audit evidence that payments from the municipality's bank accounts were approved by the accounting officer, the chief financial officer or a properly authorised official, as required by section 11(1) of the MFMA.

36. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with the SCM regulations.

37. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R2 023 062, as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by instances of overpayment to suppliers.

38. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R17 977 488, as disclosed in note 45 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by instances of overpayment on votes.





## Procurement and contract management

39. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
40. Some of the written quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(1)(b).
41. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year
42. The preference point system was not applied some of the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
43. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.
44. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
45. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.
46. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).
47. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the Municipal Systems Act and the code of conduct for staff members issued in terms of the Municipal Systems Act.
48. Some of the goods or services procured under contracts secured by other organs of state were not procured in accordance with SCM Regulation 32 as there were no demonstrable benefits and discounts of participating in the contract, the other organ of state and the provider did not consent to such procurement in writing and the prices paid were not the same as the original contract.
49. Some of the tenders which achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with 2017 Preferential Procurement Regulation 5(7).
50. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11.



## Conditional grants

51. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 9 of 2021).
52. Performance in respect of programmes funded by the Regional Bulk Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 9 of 2021).
53. Performance in respect of programmes funded by the Water Services Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 9 of 2021).

## Consequence Management

54. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(a) and (b) of the MFMA.

## Other information

55. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
56. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
57. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
58. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

59. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
  - The municipality did not adequately implement the monthly controls designed for the municipality's business processes in order to detect errors timely and not only on preparation of the year-end financial statements and performance report. Although the



monthly bank reconciliations were performed, we identified some unauthorised transactions that were not detected by this process.

- There is an overreliance on the work of consultants without an adequate transfer of skills to ensure that municipal officials appointed in specific positions perform their functions within those positions.
- The internal audit and the audit committee did not adequately review the financial statements and annual performance report as material misstatements were identified in the submitted financial statements and annual performance report submitted for auditing.
- Although the municipality improved in submitting requested information, it was however noted that the invoices are processed even when there is not enough to no information substantiating the occurrence of those transactions.
- Non-compliance with legislation could have been prevented had compliance with laws and regulations been properly reviewed and monitored by a designated compliance officer as well as by the supply chain management unit prior to procurement being done. The various non-compliances reported are due to lack of inadequate oversight by leadership in implementing and monitoring prior year audit action plan and a comprehensive compliance review checklist.

## Material irregularities

60. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

### Material irregularities identified during the audit

61. The material irregularities identified are as follows:

#### Functionality incorrectly calculated for VAT recovery services

62. The municipality awarded a tender for VAT recovery services in July 2020. One bidder was incorrectly evaluated on functionality criteria and was unfairly disqualified and had the bid been correctly evaluated would have been the successful bidder. This was in contravention of regulation 5(7) of the 2017 Preferential Procurement Regulations that requires all tenders which achieved the minimum qualifying score for functionality be regarded as acceptable tenders and evaluated further in terms of the preference points. Furthermore, the Mafikeng High Court on 19 May 2021, ruled that the decision to disqualify the bid was constitutionally invalid, reviewed and set aside. Although the municipality appealed the decision on 21 April 2022 the Supreme Court of Appeal has dismissed the application with costs.
63. The non-compliance is likely to result in a material financial loss for the Dr Ruth Segomotsi Mompati District Municipality as the commission fee percentage calculated on the total VAT refund paid to the supplier that was awarded the tender was significantly higher than that of the bid that was unfairly disqualified. The difference between the commission fee paid for the period 1 July 2020 to 17 March 2022 when the contract was cancelled and the commission fee by the disqualified bidder was R3 791 715.
64. The accounting officer was notified of the material irregularity on 8 December 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. Despite further engagement, the accounting officer provided inadequate actions to resolve the material irregularity in the updated response received on 15 February 2022 as specific commitments and dates were still not included with respect to the recovery of financial loss and there was no dates of progress on the disciplinary processes.



65. As the accounting officer failed to implement appropriate actions, consequently, I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 2 March 2023:
- The financial loss should be quantified.
  - All entities and/or person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
  - The non-compliance should be further investigated to determine if any other officials might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
  - Disciplinary proceedings should commence without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
  - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
  - If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.
66. I will follow up on the recommendations by the due date.

## **Other material irregularities**

### **Status of previously reported material irregularities**

#### **Prohibited investment with a mutual bank**

67. During 2018, the municipality invested funds in a 32-day notice account with a mutual bank that was not registered in terms of the Banks Act 94 of 1990, which is contravention of municipal investment regulation 6(c). As the mutual bank was placed under curatorship on 11 March 2018, the non-compliance is likely to result in a material financial loss if the municipality cannot obtain a refund of the deposits made. During the 2017-18 financial year, the municipality impaired the investment of R150 000 000.
68. The accounting officer was notified of the material irregularity on 3 March 2021. The following actions have been taken to resolve the material irregularity:
- The municipality successfully lodged a claim against the estate of the mutual bank on 7 November 2019 in the Polokwane High Court. The claim and the process to recover the deposits from the estate of the mutual bank is still in progress. During February 2022, the municipality received R10 500 000 from the estate of the mutual bank.
  - A disciplinary board investigation into the matter, finalised on 27 August 2018, recommended that disciplinary processes be initiated against officials named in the report. Disciplinary processes were initiated and concluded for one senior official who was confirmed to be involved on the matter, the employee was issued a sanction of dismissal on 29 October 2021.
69. I will continue to follow up on these matters during my next audit.



## Full and proper records not kept (2019-20) – infrastructure assets, provision of retail water services and material uncertainty relating to going concern

70. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of infrastructure assets, provision of retail water and material uncertainty relating to going concern, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.
71. The accounting officer was notified of the material irregularity on 7 June 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer provided inadequate actions to resolve the material irregularity. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 30 April 2022:
72. Based on the reasons and circumstance, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
- Complete asset register of all of the municipality's infrastructure assets, including work-in-progress;
  - Billing information and reconciliations to support revenue from service charges;
  - Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received; and
  - Formalise agreements with local municipalities for the provisioning of basic water services.
73. I further recommended that the accounting officer should take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 31 July 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include as a minimum, strategies to:
- Increase the collection of revenue;
  - Optimise costs in respect of bulk purchases.
  - Efficiently manage the available resources of the municipality;
  - Enter into payment arrangements with major suppliers; and
  - Repair and maintain infrastructure assets.

74. The accounting officer has not adequately implemented the above recommendations. I am in the process of determining the most suitable action to take.

Auditor General

Potchefstroom

30 November 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected key performance area and on the municipality’s compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.





Annexure C Audit Action Plan to address AG queries/findings.

	A	B	C	D	O	P	Q	R	S	T
	Number	Finding number	Heading of finding	Audit Finding: Component	Audit Findings	Root Cause	AGSA Recommendations	Managements proposed solution	Start Date	End Date
1										
2	3	Iss.31	[MR] [10] Iss.31 - Cash Flow statement: Differences between auditors calculation and Cash flow statement	Cash flow statements	Contrary to the above, we identified the following difference on cash flow from operating activities payment to compensation of employees where we are unable to verify the impact cost on employee benefits to the value of R27 806. We also identified the difference to cash paid to suppliers to the value of R241 276.	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management should ensure that the cash flow statement is accurately prepared in line with GRAP 2.	Management to Reperform the cash flow calculations based on GRAP 2.	11/20/2022	8/30/2023
3	8	Iss.60	[MR] [22] Iss.60 - Remuneration of councillors - Back pay not accounted correctly in the financial statements	Employee costs	Councillors were paid back pay in the current year, which relates to the prior year as per the court. The Gazette for upper limits relating 2020/21 was issued on 24 April 2020 and therefore the expenditure had accrued as at 30 June 2021. The expenditure relating to the back pay should have been recognized in the prior year as remuneration of councillors and a payable should have been raised	Management did not ensure the back pay was accounted for in accordance with the relevant and applicable accounting framework.	The accounting officer should have measures in place to ensure that staff members understand the GRAP requirements and applied correctly and appropriately.	We propose an adjustment to the annual financial statements as follows: 30 June 2022 DR Salary control R1 251 124 CR Councillors remuneration R1 251 124 30 June 2021 DR Councillors remuneration R1 251 124 CR Salary control R1 251 124 Update fruitless and wasteful expenditure register as follows: 30 June 2021 Back pay for councillors (Positions already occupied) We propose a revised depreciation calculation and the adjusted fixed asset register as follows: DR Depreciation 5 072 047.52 CR Accumulated depreciation 5 072 047.52	12/1/2022	8/30/2023
4	10	Iss.82	[AR] [21] Iss.82 - Property, plant and equipment - Current year depreciation (Immovable Assets)	Immovable assets	During the execution phase of the audit particularly for the 2021-22 depreciation expense for movable assets, we recalculated the depreciation expense based on the accounting treatment and depreciation policy for these assets and we discovered a difference between the depreciation charged for the assets as per the annexure to this communication. Differences were noted amounting to 4,807,136.09 and extrapolated to R11 342 748.	Depreciation was incorrectly calculated on 2021 additions. Depreciation was apportioned as per the previous year apportionments instead of calculating for the full year. We have quantified the total misstatement to the amount of R5.	Management should prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.	The municipality has requested the Water Service Provider to furnish all records relating to water quantities as recorded on bulk meters and to be verified by the municipality on a regular basis	12/1/2022	8/30/2023
5	16	Iss.92	[MR] [26] Iss.92 - Bulk Purchases - Water bulk purchases not account for as required by GRAP 12	Inventory	During the audit of water bulk purchases it was noted that the municipality does not account for this water through inventory. The municipality does not reconcile their bulk water from opening stored water at start of the financial year, purchased during the year, consumed through its local municipalities and any losses that might have been incurred between extraction and purification point and between purification points to its storage facilities (reservoirs).	Municipality did not quantify the water inventory at year end	The municipality should comply with MFMA circular 93 to ensure that water inventories are recorded through GRAP 12 to allow for a more informed inventory budgeting process for the following financial period.		12/1/2022	8/30/2023
6	17	Iss.38	[ADJUSTED] [14] Iss.38 - Irregular expenditure - The amount disclosed on the register does not include vat as required by MFMA circular 68	Irregular expenditure	Contrary to the above, we identified that the following transactions were recorded on the irregular expenditure register and the annual financial statements inclusive of VAT	Misinterpretation of accounting for VAT	Management should ensure that all applicable MFMA prescripts are adhered to, to confirm that the amounts disclosed in the annual financial statements are reported correctly in line with the applicable circulars	Matter is resolved as amendment of AFS including clarifications and support was provided	11/7/2022	11/30/2022
7	24	Iss.19	[AR] [9] Iss.19 - Bulk purchase: Payment not made within 30 days of receipt of the invoice.	Operating expenditure	Payments made to Sedibeng Water were not made within 30 days.. Further inspected the account payable transactions and confirmed that Sedibeng Water has a closing balance of R669 882 221 which indicates that payments to the supplier are not made 30 days after receiving the invoice.	Management should ensure that they exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Magalies Water should be engaged relating to the support of the bulk invoices issued in order to validate the occurrence and accuracy of the invoice. The Caseware file mapping will be updated as per AGSA	12/1/2022	8/30/2023
8	25	Iss.34	[AR] [12] Iss.34 - Contracted service: Incorrect classification of expense	Operating expenditure	Contrary to the above, we noted that the following transactions were incorrectly classified in the financial statements as contracted services: infrastructure and planning. According to the MSCOA, infrastructure and planning is classified as consulting services and based on the nature of the service the transactions should be classified as Outsourced Services (water tanker). Therefore the following transactions which relates to Tankering services were not classified correctly	Incorrect classification of contracted services within the financial statements	Management should implement adequate internal controls in the processing of expenditure transactions to ensure that the expenditure is correctly classified and accounted for in the financial statements	The Caseware file mapping will be updated as per AGSA recommendations.	12/1/2022	4/30/2023
9	26	Iss.36	[MR] [9] Iss.36 - General expense: No evidence obtained to confirm the occurrence and accuracy of expenditure occurred	Operating expenditure	Contrary to the above, we were unable to confirm that the following transaction relates to the services or goods of the municipality:	Unauthorised debit orders that have gone through the municipal bank account	Management should ensure that transactions reported in the financial statements are supported and evidenced by reliable information. The payments made are supported by adequate evidence to confirm that the transactions relates to the municipality and all the internal process are done i.e. requisition forms and purchase orders are completed and	Management to provide the AGSA with all relevant documentation to support the unauthorised debit orders and subsequent payment with reconciliation.	12/1/2022	8/30/2023
10	32	Iss.94	[AR] [24] Iss.94 - Contracted service - Accuracy and classification of bulk contracted expenditure	Operating expenditure	We were unable to confirm the accuracy of the contracted service - bulk purchase, we are have not obtained sufficient evidence to confirm that the price on the invoice agrees to approved price we also noted that the following transactions were incorrectly classified in the financial statements as per the MSCOA. Sedibeng Water (Bulk Purchases) - R80,088,184.26	Incorrect classification of contracted services within the financial statements	Management should ensure that proper record keeping systems with regards to pricing for the bulk purchase of water are kept and used as part of corroborating evidence to support the expenditure for bulk purchase. Management should ensure that expenditure is classified correctly as per the MSCOA, Services received with regards to meter readings and replacement of meters should be classified as outsourced services - meter management. Services received from consultants and professionals should be classified as outsourced services	Magalies Water should be engaged relating to the support of the bulk invoices issued in order to validate the occurrence and accuracy of the invoice. The Caseware file mapping will be updated as per AGSA recommendations.	12/1/2022	8/30/2023
11	33	Iss.95	[AR] [24] Iss.95 - Contracted service - Invoice not paid within 30 days	Operating expenditure	We obtained evidence that payments made to Sedibeng Water were not made within 30 days as per legislation and service level agreement	The municipality is in a dispute relating to value for money for the services received from the water board. Therefore payments are made ad-hoc until the matter is resolved as per the agreed process by the two parties	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management will finalise payment when the matter has reached conclusion in relation to the verifiable quantum of the monies allegedly owed.	12/1/2022	8/30/2023



	A	B	C	D	O	P	Q	R	S	T
12	34	Iss.96	[AR] [24] Iss.96 - Contracted service (Other) - Payment not made within 30 days	Operating expenditure	Other contracted services were paid after 30 days from invoice date:	Inadequate finances to pay within 30 days	Management should implement adequate controls to ensure the review and monitoring of the compliance with applicable laws and regulations.	Municipal Financial Recovery Plan will be finalised in the 2022/23 financial year.	12/1/2022	8/30/2023
13	35	Iss.97	[AR] [24] Iss.97 - Contracted service (Other) - We were unable to determine the accuracy of expenditure	Operating expenditure	Based on audit work performed, no contracts/quotes were attached to the payment voucher and the auditors were unable to determine that the prices on the invoice is the approved or agreed price for the following transactions: 1. Contracts/quotes not provided amounting to 58,287,647.09 with an extrapolated value of R125 737 968.63 3. Supporting documentation not sufficient to perform castings and calculations Based on information provided, we were unable to perform casting and calculation for the following transactions: amounting to R3,893,178.68 with an extrapolated value of R8 398 355.45	Inadequate supporting documentation to support the occurrence and accuracy of the transactions	Management should ensure that proper record keeping systems with regards to contracted services (other) are kept and used as part of corroborating evidence to support the expenditure incurred	Management to compile a POE with all the information to support the expenditure incurred in line with the technical limitation raised by the AGSA	12/1/2022	8/30/2023
14	36	Iss.98	[AR] [24] Iss.98 - Contracted service (Other) - We were unable to confirm the occurrence of expenditure	Operating expenditure	we were unable to confirm the occurrence of expenditure as sufficient documentation was provided to confirm services received amounting to 12,923,179.21 with an extrapolated value of R127 877 850	Supporting invoices were not deemed sufficient to support the expenditure incurred. AGSA has requested time sheets.	Management should implement adequate internal controls in the processing of expenditure transactions to ensure that the expenditure recorded is supported by relevant evidence that depicts its accuracy and validity.	Memorandum to be drafted to the AGSA clarifying how the expenditure is incurred and why documents are sufficient to validate the expenditure incurred.	12/1/2022	8/30/2023
15	37	Iss.1	[MR] [1] Iss.1 - High level review of the AFS	Other financial items	1. Property, plant and equipment We have identified the difference between the closing balance for infrastructure assets between the amount disclosed in note 4 of the AFS and the asset register. 2. Related party We have identified the difference between the closing balance for key management personnel (section 57 managers) between the amount disclosed in note 39 of the AFS and the asset register	Inadequate review of financial statements	Management should ensure annual financial statement are prepared in line with the GRAP requirements and are supported by accurate and complete records or schedules.	Disclosure on related party will be reviewed to ensure completeness of the disclosure	12/1/2022	8/30/2023
16	40	Iss.35	[MR] [10] Iss.35 - Payable from exchange transactions - Prior period errors	Payable	Management has reversed invoices and the reasons are stated that these are duplicates transactions, however upon inspection of the 2018 - 19, 2019 - 20 and 2020 - 21 general ledger we confirmed that the invoices reversed were not duplicated:	Management should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should ensure that the prior period errors are adequately supported. The reversal of the duplicate transactions should be verified against the prior year's schedules or general ledger before correcting the error.	Portfolio of evidence with a memorandum explaining the correction of the duplications should be compiled	12/1/2022	8/30/2023
17	41	Iss.67	[MR] [19] Iss.67 - Payable from exchange transactions - Incorrect classification of trade payables	Payable	We identified that trade payable listing has suppliers with negative (debit) balances of R181 338. If suppliers has a debit balance, such suppliers should be recorded as a receivable	The payables with debit balances were not recorded as receivables as the amount was deemed trivial at the AFS reporting level.	Management should perform adequate reviews of payable registers and AFS to ensure that payables are correctly valued and classified.	A Caseware journal will be processed to allocated creditors with debit balances as receivables.	12/1/2022	8/30/2023
18	42	Iss.68	[MR] [19] Iss.68 - Payable from exchange transactions – Difference identified between the age analysis and the auditors recalculation	Payable	We have identified the below factual differences amounting to 4 247 631.93 for the following suppliers: 1. C401 (CCG Systems ) - R1 685 075.00 2. S060 (Sedibeng Water) - 2 562 556.93	Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should implement adequate controls to ensure that payable balance is accurate and supported by accurate supporting documents	Proposed journals to correct by reducing payables for 2022 by R1 685 075 and reduce general expenditure as well as VAT for 2022 by R1 465 282.61 and 219 792.39 respectively. The following is the proposed journal entry in 2022: Dr Payables R1 685 075 Cr General expenditure R1 465 282.61 Cr VAT Receivable R219	12/1/2022	8/30/2023
19	43	Iss.83	[MR] [21] Iss.83 - Payable from exchange transactions - Trade and other payables - Prior period errors	Payable	1. Journals amounting to R1,218,769.70 could not be confirmed. 2. Invoices amounting to R1,395,312.74, are indicated as not processed, however upon inspecting the general ledgers that was audited previously it was noted that they were processed. 3. The invoices amounting to R1,422,835.85 were not provided, we could not confirm the validity of the transactions. 4. Management indicated that transactions were duplicated amounting to R224,478.61, however upon inspection of the previous year balances the amounts were not duplicated. 5. The description of the invoices amounting to R335,763.87 states that these invoice was not processed, however the journal is reducing the balance of payables, instead of increasing it	Inadequate review and support of payables journals processed	Management should ensure that they keep a proper accounting records, and ensure that they avoid duplicating their records	Management should prepare a memorandum detailing the transactions as well as a POE supporting the journals processed including relevant documentation directly from the service provider.	12/1/2022	8/30/2023
20	49	Iss.24	[MR] [6] Iss.24 - SCM - The following suppliers have interest with employees of the municipality	Procurement and Contract Management	We identified through use of CAAT's that the municipality have made an award to the following suppliers who either their spouse or business partners are in service of the Dr Ruth Segomotsi District Municipality and that the following suppliers besides Kgorosane Pty Ltd did not declare such interest.	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Matter is resolved as clarifications and support was provided	11/7/2022	11/30/2022
21	50	Iss.25	[MR] [5] Iss.25 - SCM - Award made to the supplier in service of state	Procurement and Contract Management	The following supplier has an interest in state however, the connection was not declared.	CSD report is not relied on by the AGSA relating to suppliers in the service of the state.	Management must ensure that proper compliance monitoring controls are implemented and monitored to ensure compliance with the requirements of the MSCMR and municipality's SCM policy when procuring goods and services.	Write to the office of the Procurement Officer for clarification on the reliance on the CSD report. Write to the AGSA for clarifications on the shortcomings relating to their non-reliance on the CSD	12/1/2022	8/30/2023
22	51	Iss.26	[MR] [7] Iss.26 - SCM – No evidence to confirm that the awarded bidder was submitted to DTI	Procurement and Contract Management	We could not confirm that the bid document of the winning bidder was submitted to the DTI for the following quotation: Thari Ya Tshepe (Pty) Ltd - R189 950	Management did not implement controls over daily and monthly processing and reconciling of transactions	Management should ensure that they submit all the documents of local content related projects to the DTI on a regular basis.	Management should prepare a submission letter with relevant required documents to the DTI.	12/1/2022	8/30/2023
23	52	Iss.28	[MR] [7] Iss.28 - SCM - Non-compliance with the Local content and production requirements	Procurement and Contract Management	The municipality did not advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered for the following transaction: Thari Ya Tshepe (Pty) Ltd - R189 950	Management did not adequately review and monitor compliance with applicable laws and regulations to ensure that the municipality comply with applicable laws and regulations.	Management should ensure that adequate monitoring and review of controls over supply chain management compliance is exercised.	Confirmation letter and evidence to be obtained from the service provider in relation to the source of the furniture supplied	12/1/2022	8/30/2023
24	53	Iss.39	[AR] [11] Iss.39 - SCM: Three quotations were not obtained for the procurement of goods or services	Procurement and Contract Management	we identified that three quotations were not obtained and there are no reasons which were recorded and approved by the Accounting Officer for procurement	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	The irregular expenditure will be adjusted by R1 313 104.84. Management will investigate transactions where the three quotations requirements were not adhered to without appropriate authorisation from the Accounting Officer.	12/1/2022	8/30/2023

	A	B	C	D	O	P	Q	R	S	T
25	54	Iss.40	[MR] [11] Iss.40 - SCM: The reasons for not obtaining three quotations does not appear reasonable/ justifiable	Procurement and Contract Management	We identified that the municipality have procured for honey sucking services and the municipality have not obtained three quotations, as part of the reasons for deviation the municipality have indicated that due to lack of maintenance of VIP toilets in Mamusa area. The VIP toilets are now full and need urgent attention. However, based on our knowledge, the reasons recorded for not obtaining three quotations are not justifiable as the procurement is not an emergency, the supplier is not a sole provider and the procurement was not impractical for the municipality to obtain at least three quotations.  JVR ENTERPRISE PTY LTD - R152 000	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. We further recommend that the municipality should appoint a panel of service providers who will assist the municipality with management processes.	Management to include transaction in the irregular expenditure register.	12/1/2022	8/30/2023
26	55	Iss.41	[MR] [11] Iss.41 - SCM: Deviations not reported in the council meeting	Procurement and Contract Management	We identified through inspection of the minutes of all council meetings held that the following deviations have been reported to the next council meeting after approval of the deviation by the accounting officer.  JVR ENTERPRISE PTY LTD - R152 000 JVR ENTERPRISE PTY LTD - R164 500	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Management will ensure that all deviations are reported to council.  Management will include the deviation register as part of the annual report for noting by council.	12/1/2022	8/30/2023
27	56	Iss.42	[AR] [11] Iss.42 - SCM: Quotations were obtained from suppliers who are not registered on the CSD	Procurement and Contract Management	We could not confirm that all the suppliers from which quotations were obtained from are registered on the CSD as the reports were not submitted for audit.	Non-submission of CSD reports to the AGSA	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. We further recommend that the municipality should attach the CSD reports of the suppliers from which the quotations were obtained.	SCM collate the CSD report for submission to the AGSA on the audit action plan file.	12/1/2022	8/30/2023
28	57	Iss.43	[MR] [11] Iss.43 - SCM: Indicators of possible bid rigging	Procurement and Contract Management	Contrary to the above, we identified the following indicators of possible bid rigging [KISSTO TRADING AND PROJECTS (PO5791) - R28 350]: • Kissto Trading & Projects and Thakea Pty Ltd quotations are similar in format. • Kissto Trading & Projects and Thakea Pty Ltd quotations contain the same errors, i.e. the manner in which the quotation was incorrectly spelled. • Thakea Pty Ltd quotation does not contain the contact details of the service provider.	Management did not adequately review and monitor compliance with applicable laws and regulations	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Management to investigate the transaction to identify whether indeed these indicators are factual or coincidental.	12/1/2022	8/30/2023
29	58	Iss.44	[AR] [11] Iss.44 - SCM: There is no tax clearance to confirm the winning provider's tax matters	Procurement and Contract Management	Contrary to the above, we identified that the municipality have procured the following services and there is no evidence to confirm that the supplier's tax matters are in order, as there was no CSD report or tax certificate attached to the payment vouchers:  MOEDI CONSULTING ENGINEERS - R102 281,49 REEL MULTIMEDIA PTY LTD - R29 500	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Tax clearance for Moedi Consulting Engineers and Reel Multi Media be obtained for the period in question. A POE be included in the Audit Action Plan Report.	12/1/2022	8/30/2023
30	59	Iss.45	[AR] [11] Iss.45 - SCM: The winning bidder did not submit a declaration of interest	Procurement and Contract Management	Contrary to the above, we identified that the municipality have awarded the bid to the service providers without obtaining the supplier's declaration of interest as the declaration of interest was not attached to the payment voucher  MAFLOH PTY LTD [PO4943] - R26 500	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	A declaration of interest for Mafloh (Pty) Ltd should be obtained for the period in question. A POE be included in the Action Plan Report.	12/1/2022	8/30/2023
31	60	Iss.46	[AR] [11] Iss.46 - SCM: The bids were not evaluated in accordance with the preference point system as prescribed by the PPPF Act	Procurement and Contract Management	Contrary to the above, we identified that the following bids were awarded without evaluating the bids in accordance with PPPF Act  1. STONEHENGE RIVER LODGE - R159 779,34 2. MOEDI CONSULTING ENGINEERS PTY LTD - R102 281,49 3. BASADZI PERSONNEL CC - R42 852,66 4. PROCUREMENT 911 - R82 000 5. BASADZI MEDIA AND PERSONNEL - R62 624,86 6. JVR ENTERPRISE PTY LTD - R152 000	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	The irregular expenditure will be adjusted by R159 779, 34  Management to re-evaluate all transactions that are deemed to have not been evaluated in accordance with the PPPFA. A memorandum be written to the Accounting Officer in that regard.	12/1/2022	8/30/2023
32	61	Iss.58	[AR] [28] Iss.58 - SCM - The municipality participated in contracts secured by another organ of state for services similar to the procured service already in place	Procurement and Contract Management	The contract procured through SCM regulation 32. On the 14 of June 2021 the letter was written by Mamusa Local Municipality requesting for assistance to support the municipality with capacity for the year end procedures for 2020-21 financial year and following the letter we noted that the district then requested to participate in a contract for preparation of GRAP 17 compliance asset register as secured by the Greater Taung Local Municipality, the letter was signed by the then Acting Accounting Officer dated 06 July 2021.  We noted further, that the service provider "PEZA" was appointed by Greater Taung Local Municipality at a total contract value of R4 486 344 and the spending to date amount to R2 282 344 for the similar services. In addition, Greater Taung Local Municipality approved the request by Dr Ruth to procure using regulation 32 and the relevant documents as detailed on the letter were submitted to Dr Ruth. The awarded service provider "PEZA" then ceded the contract to "KPT Systems", this was however not approved and this contradict the initial request as Greater Taung Local Municipality only evaluated PEZA and not KPT Systems. In addition, the cession agreement was not signed by all the parties involved, which makes the appointment invalid.  The request for SCM regulation 32 did not indicate or demonstrate the benefits and discounts of participating in this contract. In addition, it is concerning that the District have spent an amount of R4 486 344 in a month (December 2021) while Greater Taung Local Municipality since the inception of We noted that the following contracts that the municipality entered into do not have set limits (expiry date/contract end dates)	Inadequate information to support the process taken to conclude the regulation 32.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes	The CFO to source all outstanding information relating to the regulation 32.  The accounting officer to request internal audit to perform a preliminary assessment/investigation on the transaction.	12/1/2022	8/30/2023
33	63	Iss.64	[MR] [23] Iss.64 - SCM - The contract does not have set limits	Procurement and Contract Management	1. NEP CONSULTING ENGINEERS [BDM2014-034A1b] - R26 394 651,68 2. HT PELATONA PTY LTD [BDM2007-028D] - R77 937 362,20 3. BIGEN AERICA [RDM2011-051A] - R57 186 684,11	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management should ensure that all contract they enter into have set limits (expiry dates).	Management to formulate all contracts to include forms of monetary limits via a special condition of contract.	12/1/2022	8/30/2023
34	64	Iss.72	[AR] [25] Iss.72 - SCM - Bids were disqualified on criteria's that were not stipulated in the bid invitation	Procurement and Contract Management	We identified that bids were disqualified on a criteria that was not clearly stipulated in the bid document as the municipality used a risk analysis criteria which was not clearly stipulated. Furthermore the auditee has determined an estimate which could not be sufficiently supported for the auditor to determine the validity of amount which was used as a basis to disqualify bidders  1. ULTIMATE DYNAMICS [RDM2014-034L]; 2. BAPHALABORWA PROJECTS [RDM2014-034J]; and 3. LILITHALETHU TRADING 41 [RDM2014-03K].	Risk analysis threshold was not determined when drafting the specifications upfront to enable the BEC to use as a bases to disqualify the bidders.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Management to update the irregular expenditure register with the amounts as per AGSA recommendation.  A memorandum from the BEC will be sourced to justify the disqualifying characteristic utilised to the Accounting Officer.	12/1/2022	8/30/2023

	A	B	C	D	O	P	Q	R	S	T
35	65	Iss.73	[MR] [18] Iss.73 - SCM: Award made without confirmation that the municipal rates and taxes are not in arrear for more than 3 months	Procurement and Contract Management	We identified that the municipality have awarded the bid to the following bidders whom we cannot confirm that the bidder's municipal rates and taxes or municipal service charges are not in arrears for more than three months as they did not submit their municipal statements  1. RENEILWE CONSULTING AND PLANNERS [RDM2020-046A] - R5 017 495,82; and 2. LECHERO PTY LTD [RDM2021-008A-1 - R1 091 330	Lease agreement was not attached in the returnable of the bid document to ascertain that indeed the service providers are tenants and are thus not responsible to pay for municipal rates and taxes on the leased properties utilised to operate their business.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	The lease agreements for 1. RENEILWE CONSULTING AND PLANNERS and 2. LECHERO PTY LTD. Be included in the Audit Action Plan POE file	12/1/2022	8/30/2023
36	66	Iss.75	[MR] [18] Iss.75 - SCM - No bid register was kept	Procurement and Contract Management	We could not confirm that the municipality kept a register of all bids received for the following tender:  WCYBER SOLUTIONS [RDM2020-030A1] - R38 753 000	Bid register not provided to the auditors.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	The BID register for the RDM2020-030A1 (WCYBER SOLUTIONS) be included in the Audit Action Plan POE file.	12/1/2022	8/30/2023
37	67	Iss.76	[MR] [18] Iss.76 - SCM - There is no evidence that the tender was adjudicated by the bid adjudication committee	Procurement and Contract Management	We could not confirm that the following tender were adjudicated by the bid adjudication committee as the minutes/report of the bid adjudication committee was not submitted for the auditor:  WCYBER SOLUTIONS [RDM2020-030A1] - R38 753 000	Bid adjudication report and minutes not provided to the auditors.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	The BID adjudication agenda, minutes and attendance for the RDM2020-030A1 (WCYBER SOLUTIONS) be included in the Audit Action Plan POE file	12/1/2022	8/30/2023
38	68	Iss.77	[AR] [18] Iss.77 - SCM - Award made to the service provider without following competitive bidding process	Procurement and Contract Management	of R7 640 853,31 without following competitive process and furthermore they were no deviation letters:  1. MOEDI CONSULTING ENGINEERS [PO5937] - R425 801,29 2. MOEDI CONSULTING ENGINEERS [PO6390] - R413 402,71 3. MOEDI CONSULTING ENGINEERS [PO6346] - R536 440,5 4. MOEDI CONSULTING ENGINEERS [PO6345] - R536 440,5 5. MOEDI CONSULTING ENGINEERS [PO6347] - R536 440,5 6. MOEDI CONSULTING ENGINEERS [PO5687] - R536 440,5 7. BIGEN AFRICA SERVICES [PO6946] - R1 307 677,87 8. IX ENGINEERING/WORLEY PARSONS RSA (PTY) LTD [PO6031] - R1 050 597,15 9. LIDWALA CONSULTING [5441] - R1 068 989,63 10. LIDWALA CONSULTING [PO5605] - R786 276,21 11. I. NFRABURO PTY LTD [PO6750] - R440 346,45	Management did not adequately review and monitor compliance with applicable laws and regulations.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	1. Deviation register for transactions mentioned in part 1 of the finding for MOEDI CONSULTING ENGINEERS be collated including reasons for the deviation. 2. Confirmation that MOEDI CONSULTING ENGINEERS was part of the consulting panel should be included. The reclassification of the transaction as a transfer payment in the AFS should be	12/1/2022	8/30/2023
39	69	Iss.78	[MR] [20] Iss.78 - SCM - Deviations not reported in the council meeting	Procurement and Contract Management	We identified through inspection of the minutes of all council meetings held that deviations amounting to R9 126 364,22 were not reported to the next council meeting after approval of the deviation by the accounting officer	A process to verify the completeness of the deviation register is not established.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	A pre-numbered deviation form should be created.	12/1/2022	8/30/2023
40	70	Iss.79	[AR] [20] Iss.79 - SCM - Reasons provided for the deviation are not reasonable and justifiable	Procurement and Contract Management	We identified transactions amounting to R9 040 364,22 that were sourced through a deviation. However we noted that the reasons provided for the deviation are not reasonable and justifiable.	The reasons for the deviations were not justifiable based on AGSA assessment	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	register will be adjusted by R1 505 056,75:  For the below a memorandum should be drafted explaining reasons why the deviations are deemed reasonable.  MOEDI CONSULTING ENGINEERS [PO5033], R1 871 966,27 MVR'S GENERAL DEALER [PO6376], R1 494 000 NPNF CONSTRUCTION AND PROJECTS [PO5036], R843 122,5 JVR ENTERPRISE [PO5035], R733 150 MOEDI CONSULTING ENGINEERS [PO5939], R1 627 483,22	12/1/2022	8/30/2023
41	71	Iss.80	[AR] [20] Iss.80 - SCM - There is no tax clearance to confirm the winning provider's tax matters	Procurement and Contract Management	We identified that the municipality have awarded the bid to the service providers without obtaining the supplier's declaration of interest as the declaration of interest was not attached to the bid document.  LETHABO TRADING ENTERPRISE [PO6391] - R1 505 056,75	Declaration of interest not included in the source documentation provided to the AGSA	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Declaration of interest be sourced in placed in the audit action plan file for LETHABO TRADING ENTERPRISE	12/1/2022	8/30/2023
42	72	Iss.81	[MR] [20] Iss.81 - SCM - Procurement was not economical as the goods/services were not obtained at a reasonable price	Procurement and Contract Management	We identified that the procured the following services at a price that is not reasonable as the municipality did not source quotations from the service providers, however it was based on a cost estimate/assessment that was performed by the municipality.  NPNF CONSTRUCTION AND PROJECTS [PO5036] - R843 123 JVR ENTERPRISE [PO5035] - R733 150	A value for money assessment was not performed in order to verify that the goods and services procured were cost effective.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	1. NPNF CONSTRUCTION AND PROJECTS - R843 123 and 2. JVR ENTERPRISE - R733 150.	12/1/2022	8/30/2023
43	73	Iss.84	[AR] [25] Iss.84 - SCM - We could not re-perform the functionality points calculations	Procurement and Contract Management	We could not re-perform the functionality point's recalculations due to the limitation imposed by the criteria that is not well defined and subjective. The municipality did not submit individual score sheets by the evaluation committee to support the total scores in the evaluation report, which imposes a limitation as we could not sufficiently confirm how the functionality points were issued on the various functionality criteria's:  ULTIMATE DYNAMICS [RDM2014-034L] - R27 722 921,55 BAPHALABORWA PROJECTS [RDM2014-034J] - R28 426 396,9 LILITHALETHU TRADING 41 [RDM2014-03K] - R39 009 469,98	Bid evaluation committee meeting concludes the evaluation via consensus instead of individual scoring sheets filled out by each member.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Memorandum should be drafted to explain to the AGSA the evaluation method utilised in awarding the contract.	12/1/2022	8/30/2023
44	74	Iss.85	[AR] [25] Iss.85 - SCM - Contract was not awarded to the bidder that scored the highest total number of points	Procurement and Contract Management	based on our performed recalculations we determined that the contract was not awarded to the bidder that scored the highest numbers of points as the supplier who had the highest points was eliminated on a criteria that is not objective as the municipality used a risk analysis criteria that was not stipulated clearly in the bid documents. Furthermore, the auditee has determined an estimate which could not be sufficiently supported for the auditor to determine the validity of amount which was used as a basis to disqualify bidders. Based on our assessment the auditor's judgement the suppliers who scored the highest points were unfairly eliminated:-  ULTIMATE DYNAMICS [RDM2014-034L] - R27 722 921,55 BAPHALABORWA PROJECTS [RDM2014-034J] - R28 426 396,9 LILITHALETHU TRADING 41 [RDM2014-03K] - R39 009 469,98	Risk analysis threshold was not determined when drafting the specifications upfront to enable the BEC to use as a bases to disqualify the bidders.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	A memorandum from the BEC will be sourced to justify the disqualifying characteristic utilised to the Accounting Officer.	12/1/2022	8/30/2023

	A	B	C	D	O	P	Q	R	S	T
45	75	Iss.86	[AR] [23] Iss.86 - SCM - The municipality did not advertise the tender with a specific tendering condition for subcontracting	Procurement and Contract Management	The below awards we identified that the municipality did not advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to: (a) an EME or QSE; (b) an EME or QSE which is at least 51% owned by black people; (c) an EME or QSE which is at least 51% owned by black people who are youth; (d) an EME or QSE which is at least 51% owned by black people who are women; (e) an EME or QSE which is at least 51% owned by black people with disabilities; (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships; (g) a cooperative which is at least 51% owned by black people; (h) an EME or QSE which is at least 51% owned by black people who are military veterans; or (i) more than one of the categories referred to in paragraphs (a) to (h).  LILITHALETHU TRADING 41 [RDM2014-03K] - R39 009 469,98	The tender document that indicates the specification was not provided to the AGSA.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes	Tender document requested should be collated and filed in the audit action plan portfolio of evidence file.	12/1/2022	8/30/2023
46	76	Iss.87	[MR] [23] Iss.87 - SCM - Tender requirements did not include a mandatory subcontracting to advance designated groups	Procurement and Contract Management	We identified that the following bids which were above R30 million did not include a condition for mandatory subcontracting to advance designated groups as part of their tender requirements:  LILITHALETHU TRADING 41 [RDM2014-03K] - R39 009 469,98  ULTIMATE DYNAMICS [RDM2014-015B] - R48 572 397,28	The tender document that indicates the specification was not provided to the AGSA.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes	Tender document requested should be collated and filed in the audit action plan portfolio of evidence file.	12/1/2022	8/30/2023
47	77	Iss.90	[MR] [23] Iss.90 - SCM - Total payments made exceed the original contract price	Procurement and Contract Management	We identified that the total payments made under the contract up to date exceed the original contract for the following contracts:-  KHM CHARTERED ACCOUNTANTS - R6 963 706,48 KATSHESA ENGINEERING SERVICES PTY LTD [RDM2019-009A] - R22 527 056,63 PLS CONSTRUCTION [RDM2019-009A] - R17 928 508,45 BIGEN AFRICA [RDM2011-051A] - undefined limitation	Information was not provided to the auditors as per the response on the management report.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Documents stated in the response should be collated and filed in the audit action plan portfolio of evidence file.	12/1/2022	8/30/2023
48	78	Iss.91	[MR] [23] Iss.91 - SCM - No evidence that the proposed amendment were tabled to council	Procurement and Contract Management	We identified that the reasons for the proposed amendment in the service level agreement for the following contracts were not tabled in the council of the municipality:-  REBUS TECHNOLOGIES [RDM2018-027A] - R8 255 000,00 MOCHOBO EXECUTIVES GUARD CC T/A MEG SECURITY [RDM2020-006A] - R11 934 859,89 NEP CONSULTING ENGINEERS [BDM2014-034A1b] - R26 394 651,68 BIGEN AFRICA [RDM2011-051A] - R57 186 684,11	The contracts were not sent to council for approval as required by section 116(3) of the MFMA	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	An item will be formulated for all effected section 116 (3) contracts for council process to be followed.	12/1/2022	8/30/2023
49	79	Iss.93	[AR] [28] Iss.93 - SCM - No written consent by the other organ of state to procure the contract through SCM regulation 32	Procurement and Contract Management	We noted that the municipality have procured the water Tankering through SCM regulation 32, however we have identified the following inconsistencies in relation to the contract. • The municipality have not provided the auditors with the request letter from Dr Ruth S Mompoti District Municipality to Ngaka Modiri Molema District Municipality regarding the procurement of the services through SCM regulation 32. In the absence of the request we are unable to demonstrate all the requirements for procurement of contract through SCM regulation 32 as stated in the requirement above. • The rate charged by the service provider is not included or we could not trace it to the bid document submitted by the municipality to confirm that the price paid by Dr Ruth is similar to the price paid by Ngaka Modiri Molema District Municipality. • We could not confirm the consent from the other organ of state approving the procurement of the service through SCM regulation 32. • We are unable to confirm that the benefits and discounts were demonstrated prior to appointing the service provider through SCM regulation 32.	Documents requested by the auditors to validate the regulation 32 award were not presented:	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Documents stated in the response should be collated and filed in the audit action plan portfolio of evidence file.	12/1/2022	8/30/2023
50	80	Iss.106	[MR] [27] Iss.106 - Bid Advertisement and Tender Register	Procurement and Contract Management	The AGSA noted that the tender register was "stamped received" on 25 June 2021 while the closing date that was advertised in the Sowetan newspaper is 18 June 2021 as indicated below. The AGSA further noted that the tender from Khoepu Business enterprise JV Tarcon Projects (Pty) Ltd's tender documents i.e. returnable documents, agreements and contract data signed and certified on 24 June 2021 which is after the closing date of 18th June 2021.	Addendum was not provided to the AGSA as per management response.	Management should ensure that: • Bids are recorded as and when received and that no bids that were received after the closing date and time are recorded on the bid register. • SCM regulations and prescripts are fully complied with during the procurement process Payments made on this contract award be disclosed as irregular expenditure in the AFS; and be investigated in line with MFMA	Documents stated in the response should be collated and filed in the audit action plan portfolio of evidence file.	12/1/2022	8/30/2023
51	82	Iss.108	[MR] [27] Iss.108 - Unfairly Disqualified Bidders – Banking Rating	Procurement and Contract Management	According to the F.2.1 of the tender data- Only Tenderers who have a bank rating of "C" or better on the nominated bank account as obtained from the banking institution where the operational business account of the bidder is held. In the case of bids submitted in Joint Ventures or Associations, only the nominated bank account of the lead Partner, whose account will be used in the execution of the project, will be considered.  The AGSA noted that municipality stated in the tender advert that only tenderers who have a bank rating of "C" or better on the nominated bank account as obtained from the banking institution will be considered. The list below indicates the tenderers who were disqualified from further evaluation, despite complying with the mandatory bid requirement	bidders depicted on the table above were unfairly disqualified as they met the minimum requirement to be evaluated further. Therefore, the SCM process followed by the BEC in the evaluation of the bid is not complying with Section 112 of the MFMA.	Management should ensure that: • SCM regulations and prescripts are fully complied with during the procurement process; • The BEC applies due diligence during the evaluation of bids to ensure that the evaluation criteria is applied consistently to all bidders. Furthermore, to ensure that all the information submitted by bidders is scrutinized and the correct information is recorded and evaluated.	A comprehensive memorandum be written explaining reasons for the disqualification of bidders.	12/1/2022	8/30/2023
52	84	Iss.110	[MR] [27] Iss.110 - CIBD Grading – Awarded supplier did not meet the minimum required CIBD Grading	Procurement and Contract Management	As per the requirement of the tender data on F.2.1 the winning bidder should have attained a CIBD grading of 8CE. According to the BEC report, KD Civils (Pty) Ltd JV Abiathar was evaluated based on a CIBD grading of 8CE. The AGSA recalculated the CIBD grading using the tool on the CIBD website. It was noted that the individual grading's for KD Civils and Abiathar did not change since the bid submission date.  However, when we recalculated the JV CIBD grading for KD Civils (Pty) Ltd JV Abiathar, it was noted to be 7CE which is below the minimum requirement of 8CE. KD Civils (Pty) Ltd JV Abiathar did not meet the minimum CIBD grading	• Management did not comply with applicable laws and regulations. • Management did not confirm if the bidder met the required CIBD grading. • The BEC did not pick up on potential misrepresentations by bidders.	Management should ensure that: • Compliance with CIBD regulations • The BEC should be aware of the risk of potential misrepresentations by bidders and allow bidders to make representations if such is detected. • Investigate the irregular expenditure and implement appropriate consequence management.	A comprehensive memorandum be written explaining the 8CE rating for KD civils.  Request representation from KD civils as well as proof of the 8CE ratings at the date of submission of the tender document.	12/1/2022	8/30/2023

	A	B	C	D	O	P	Q	R	S	T
53	85	Iss.111	[AR] [27] Iss.111 - Supplier scoring the highest points for Pricing and B-BBEE not awarded the tender and the incorrect supplier was awarded	Procurement and Contract Management	The bidder Ruwaco (Pty) Ltd who scored the highest points as indicated in the above table was not awarded the tender due to non-conformities to requirements which were not objective or stipulated in the bid specification. The non-conformities includes:  <ul style="list-style-type: none"> <li>• non priced items in the bill of quantities</li> <li>• lowly priced site clearance</li> <li>• lowly priced earthworks chambers</li> <li>• lowly priced existing services</li> <li>• unduly low priced items compared to the engineers estimate.</li> </ul> <p>The above results in non-compliance with PPPFA Section 2(1) (f) and section 112 of MFMA which results in irregular expenditure amounting to R 45 546 458.36, which is the costs incurred to date. A material financial loss of R8 094 444.78 (R101 319 444.78-R93 225 000) is also expected to be suffered by the municipality due to the appointment of a more expensive bidder.</p>	Financial and Performance management: <ul style="list-style-type: none"> <li>• Management did not comply with applicable laws and regulations.</li> <li>• Management did not ensure that the bidder with the highest points for price and preference is awarded the contract, and provided objective criteria for not selecting the bidder with the highest points.</li> <li>• The scoring of bids was not correctly calculated, fair and consistent.</li> </ul>	<ul style="list-style-type: none"> <li>• The BEC should ensure that evaluations and scoring are fair, consistent and correctly calculated.</li> <li>• Bids should be adjudicated by the BAC to ensure that valid and accountable reasons/motivations were furnished for passing over of bids and that the scoring has been fair, consistent and correctly calculated and applied.</li> <li>• As the procurement process did not comply with the provisions the PPR it should therefore be regarded as irregular. The irregular contract awards should be investigated and the irregular expenditure</li> </ul>	A comprehensive memorandum be written explaining why KD civils (Pty) Ltd JV Abiathar was appointed instead of Ruwaco (Pty) Ltd and Raubex Infra(Pty) Ltd.	12/1/2022	8/30/2023
54	86	Iss.112	[MR] [27] Iss.112 - Limitation of Scope – Inputs to the evaluation reports	Procurement and Contract Management	The following information was not submitted to confirm the inputs to the evaluation report and to perform and recalculate the workings submitted: <ul style="list-style-type: none"> <li>• Policy/ procedure for the estimate used by engineer to determine if the costs are reasonable ( what informed the decision for the method used)</li> <li>• Amounts and formula's used to calculate cost on different tables as follows: 1. Table 11 (time related cost per day) page 23 2. Tables 11(Project cost –construction) page 33-36</li> <li>• Calculation for percentages used in conclusion section (Page 37-38)</li> </ul>	Management did not provide information to the auditors as requested	<ul style="list-style-type: none"> <li>• Management should have processes in place to ensure that information is easily accessible when requested for audit purposes.</li> <li>• Management must ensure that information is timely submitted for audit to avoid overruns on the audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The average method used by the engineers to assess the bidders' responsiveness is valid and appropriate.</li> <li>• The time related cost per day and projects costs that were used to assess the responsiveness of bids are accurate and correct.</li> <li>• The percentages and calculation % used to disqualify two bidders who scored the highest for pricing were valid, accurate and</li> </ul>	12/1/2022	8/30/2023
55	87	Iss.113	[MR] [27] Iss.113 - Misrepresentation of B-BBEE status	Procurement and Contract Management	17 June 2021 (signed agreement date) for tendering on a project with a closing tender date of 18 June 2021. However, the B-BBEE certificate submitted by the JV was dated 17 May 2021, a date prior to the joint venture agreement entered into.  Furthermore, the bidder submitted a JV B-BBEE that indicates that the joint venture is 100% black owned. Based on CSD and internet searches performed, we noted that at least one party to the joint venture agreement, KD Civils, is not 100% black owned. As such, the JV potentially misrepresented their B-BB status. Please refer to the image below.  It is not evident from the bid evaluation documents that the BEC performed procedures to determine the accuracy of the bidder's B-BBEE certificate, based on the supporting documentation included in the bid submissions, resulting in Section 14(1) of the PPR of 2017 not being applied.  According to the framework for measuring B-BBEE requirements, any misrepresentation on the scorecard of a bidder amounts to a criminal offence and as such the municipality should not have appointed the bidder without any representation made by the bidder, to remedy the false B-BBEE certificate submitted by the bidder.	The BEC did not pickup misrepresentation by bidders, and in doing so, they failed to disqualify bidders that were possibly guilty of a criminal offence	<ul style="list-style-type: none"> <li>Management should improve the control environment for the prevention and detection of non-compliance with laws and regulations to ensure that the SCM prescripts are fully complied with during the procurement process.</li> <li>Management should consider giving the implicated bidders an opportunity to make representations as required by section 14(1) of the PPR.</li> </ul>	A letter requesting the service provider to provide information relating to the B-BBEE status with the relevant documentation will be sourced.	12/1/2022	8/30/2023
56	88	Iss.62	[MR] [22] Iss.62 - Provisions - Difference between in the calculation of provision	Provisions	We noted a difference between the amount as per a provision for leave based on the basic condition of employment act and the provision for leave calculation recalculation provided for management:	Inadequate review of provision working paper	Management should ensure that the calculation of estimates used in calculations of provision reflect the expected settlement of the obligation in the future.	We propose an adjustment to the annual financial statements as follows. The following Journal entry will be processed: DR Leave expense R2 574 986.39 CR Leave provision R2 574 986.39	12/1/2022	8/30/2023
57	89	Iss.55	[MR] [17] Iss.55 - Receivables from non-exchange transactions: No interest charged on long overdue debtors.	Receivables	Contrary to the above during the testing of receivable from non-exchange transactions, we noted that the municipality did not charge interest on the long outstanding balance for the following debts receivables as required by section 64(2) (g) of the MFMA	Management did not exercise adequate oversight to ensure that interest is charged and accounted for	Management should ensure that interest is charged on overdue accounts on a monthly basis.	Management will send letters to all outstanding debtors and initiate this process	12/1/2022	8/30/2023
58	90	Iss.23	[MR] [21] Iss.23 - Related Party - No Accounting policy for related parties during the current financial year	Related parties	Contrary to the above, we identified that management did not provide the accounting policy pertaining to related party for the year under review.	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management should ensure that they are presenting all information in the financial statements in a manner that is relevant, reliable, comparable and understandable; and should consistently present the	Accounting Policy for related parties to be formulated and included in the AFS	12/1/2022	8/30/2023
59	92	Iss.20	[ADJUSTED] [10] Iss.20 - Management did not provide any reason for the variances identified in the statement of comparison of budget and actual amounts.	Statement of comparison of budget and actual amounts	We identified that management did not provide any reason for the following material variance identified in the statement of comparison of budget and actual amounts	Management did not provide any reason for the differences identified in the statement of comparison of budget and actual amounts	While there are significant variances between budget and actuals figures, management should provide sufficient reasons relating to the cause of the variance to provide a fair representation of what caused the variance.	Matter is resolved as amendment of AFS including clarifications and support was provided	11/7/2022	11/30/2022
60	93	Iss.30	[ADJUSTED] [10] Iss.30 - Difference between the budgeted amounts disclosed in the statement of comparison of budget and actual and amount in the approved budget	Statement of comparison of budget and actual amounts	We identified the following difference between the budgeted amounts disclosed in the statement of comparison of budget and actual amount with the amounts in the approved budget.	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management must ensure that there are adequate controls for the compilation and review of the financial statements.	Matter is resolved as amendment of AFS including clarifications and support was provided	11/7/2022	11/30/2022
61	94	Iss.49	[AR] [14] Iss.49 - Transfers and subsidies - Invoice received were paid after 30 days	Transfer payments	Suppliers were paid after 30 days since the invoice was received by the municipality:	inadequate finances to pay within 30 days	Management should implement adequate controls to ensure the review and monitoring of the compliance with applicable laws and regulations.	Municipal Financial Recovery Plan will be finalised in the 2022/23 financial year.	12/1/2022	8/30/2023



	A	B	C	D	O	P	Q	R	S	T
	Number	Finding number	Heading of finding	Audit Finding: Component	Audit Findings	Root Cause	AGSA Recommendations	Managements proposed solution	Start Date	End Date
1										
7	38	Iss.2	[MR] [1] Iss.2 - Policies submitted for audit were not reviewed during the 2021/22 financial year	Other financial items	During the planning phase of the audit it was noted that the various policies that were submitted for audit are required to be reviewed and updated if there are any amendments to be noted annually as per policy requirements and thereafter be approved by council for each respective financial year. However contrary to the above, there is no evidence to confirm that the council reviewed the various policies during the 2021/22 financial year	Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities	Management should establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities	During 2021/2022, policies were not reviewed, however, during 2022/2023 policies were reviewed, however, they are still to be adopted by Council	12/1/2022	8/30/2023
8	46	Iss.33	[AR] [15] Iss.33 - AOPO - The performance indicators not well defined	Predetermined objectives	<p><b>Various indicators</b></p> <p>The indicators refers to the percentage of grant funding spent on capital projects by 30 June 2022, however it is not measurable as it does not clearly state which capital projects will the grant be spend on. In addition, the indicators are not outcome based as the municipality achieve on spending and not necessarily on key service delivery performance. The indicator is therefore not specific, measurable and verifiable as it does not indicates the planned capital projects which the municipality will be spending on to ensure that municipality delivers on their mandate as meant for KPA of Basic Service Delivery and Infrastructure Investment.</p> <p>No Performance indicator</p> <ol style="list-style-type: none"> <li>1. % total allocated (gazetted) MIG grant funding spent on capital projects by 30 June 2022.</li> <li>2. % total allocated (gazetted) WSIG grant funding spent on capital projects by 30 June 2022.</li> <li>3. % total allocated (gazetted) RBIG grant funding spent on capital projects by 30 June 2022.</li> </ol> <p>Number of service level agreements signed with water service provider by 30 June 2022.</p> <p>The indicator refers to the number of service level agreements (SLA) signed with water service providers, however it is not clearly stated on the SDBIP how many SLA's is the municipality planning to sign and the details of the water service providers are not clearly outlined on the SDBIP. The indicator is therefore not specific as it does not indicates the details of the water service providers.</p> <p>Number of land use management applications approved by 30 June 2022</p> <p>The indicator refers to the number of land use management applications approved, however it is not clearly stated which land use is planned for approval on the SDBIP. In addition, the manner in which data will be collected is not documented on the SDBIP as the performance indicator is either omitted or was not planned for. The indicator is therefore not specific as it does not indicates the specific land that is planned for approval and the manner in which data will be collected is not indicated.</p> <p>Number of jobs created through capital projects and registered with EPWP by 30 June 2022.</p> <p>The indicator refer to number of jobs created and the annual target is 400, however it is not clearly documented on the SDBIP on how the municipality came up with the planned target of 400 jobs. In addition, the municipality indicates that the job creation will also be through capital projects, however it is not stated on which capital projects the municipality is planning to create jobs on. The indicator is therefore not specific as it does not indicate the details of the capital projects.</p>	<p>The accounting officer did not exercise adequate oversight responsibility regarding performance reporting and related internal controls to ensure consistency between the approved SDBIP and annual performance report.</p> <p>The accounting officer should exercise adequate oversight responsibility regarding performance reporting and related internal controls to ensure consistency between the approved SDBIP and annual performance report.</p>	<p>The municipality should ensure that the performance indicators:</p> <ul style="list-style-type: none"> <li>• are well defined and the required performance is clearly provided for in the SDBIP in a form of technical indicator description</li> <li>• there is a links between the POE and the achievement of the goal</li> <li>• the standard operating procedures are in place to define the required process and</li> <li>• that it confines to what the users would generally relate to</li> </ul>	Management to be more project orientated. A revised SDBIP will need to be produced to correct these issues. The process has already started as per mid year assessment	12/1/2022	8/30/2023
9	47	Iss.53	[AR] [15] Iss.53 - AOPO - The performance indicator as per the SDBIP not consistent with the indicator per the APR	Predetermined objectives	<p>Number of service level agreements signed with water service provider by 30 June 2022.</p> <p>The performance indicator was included on the SDBIP, however the performance indicator is not reported in the annual performance report.</p> <p>Therefore, the planned indicator is not consistent with the reported indicator in the APR and there is no indication of whether this change was approved as this indicator was omitted from the SDBIP.</p> <p>Number of land use management applications approved by 30 June 2022</p> <p>The performance indicator was not included on the SDBIP, however the performance indicator is reported in the annual performance report.</p> <p>Therefore, the reported indicator is not consistent with the planned indicator in the APR and there is no indication of whether this change was approved as this indicator was omitted from the SDBIP.</p>	<p>The accounting officer did not exercise adequate oversight responsibility regarding performance reporting and related internal controls to ensure consistency between the approved SDBIP and annual performance report.</p> <p>The accounting officer should exercise adequate oversight responsibility regarding performance reporting and related internal controls to ensure consistency between the approved SDBIP and annual performance report.</p>	<p>The accounting officer should exercise adequate oversight responsibility regarding performance reporting and related internal controls to ensure consistency between the approved SDBIP and annual performance report.</p>	Management to be more project orientated. A revised SDBIP will need to be produced to correct these issues. The process has already started as per mid year assessment	12/1/2022	8/30/2023
10	48	Iss.54	[MR] [15] Iss.54 - AOPO - No standard operating procedures/technical indicator descriptions in place	Predetermined objectives	<p>Contrary to the above, it was noted that the municipality does not have in place the technical indicator descriptions (TIDs) or standard operating procedures (SOPs) to further elaborate on the key performance indicators for better understanding of the indicator and what it entails to ensure that the key performance indicators are well defined. Impact</p> <p>The above will result in a material internal control deficiency, which will be reported in the management report.</p>	<p>The accounting officer did not exercise oversight responsibility regarding performance reporting and related internal controls</p> <p>The accounting officer should exercise adequate oversight responsibility regarding performance reporting and related internal controls to ensure consistency between the approved SDBIP and annual performance report.</p>	<p>The accounting officer should exercise adequate oversight responsibility regarding performance reporting and related internal controls to ensure consistency between the approved SDBIP and annual performance report.</p>	Technical indicator descriptions will be developed together with management	12/1/2022	8/30/2023

	A	B	C	D	O	P	Q	R	S	T
	Number	Finding number	Heading of finding	Audit Finding: Component	Audit Findings	Root Cause	AGSA Recommendations	Managements proposed solution	Start Date	End Date
1										
2	95	Iss.50	[MR] [14] Iss.50 - Transfers and subsidies - No proof of receipt of good/services	Transfer payments	The municipality submitted payment vouchers, but it was discovered that the payment vouchers for the below mentioned transactions did not include Goods received notes nor signed Invoices an acknowledgement of receipts of goods or services.	Invoices were not signed by the Acting Senior Manager as proof that goods were received	management should ensure that proper record keeping systems are implemented to ensure that complete, relevant and accurate information is accessible and available to support financial reporting. The supporting delivery notes or signed invoices should be provided as part of the supporting documents to the invoice billed to the municipality.	The procured goods are delivered to beneficiaries as per application request.	12/1/2022	8/30/2023

**Volume ii Audited Annual Financial Statements 2021-2022 FY.**



**Dr Ruth S Mompoti District Municipality (DC39)  
Annual Financial Statements  
for the year ended 30 June 2022**

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\* See Note 40



## General Information

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<b>Legal form of entity</b>	District Municipality
<b>Nature of business and principal activities</b>	Municipal Services
<b>Mayoral committee</b>	
Executive Mayor	Cllr Mr MA Maje : Directly elected
Speaker	Cllr Mrs K Sereko: Directly elected
MMC: Economic Development, Tourism & Agriculture	Cllr ST Matobo
MMC: Planning and development	Cllr KL Duiker
MMC: Engineering and Technical Services	Cllr S Seepamere
MMC: Corporate services	Cllr LC Jacobs
MMC: Budget and Treasury	Cllr NG Masilo
MMC: Community services	Cllr B Setlhabetsi
Councillors	Cllr BM Nkewu: Greater Taung Local Municipality Cllr MM Ntjilo: Directly elected Cllr ME Arabang: Kagisano Local Municipality Cllr PL Babuseng: Greater Taung Local Municipality Cllr JW Dibakwe: Contract Cllr CP Herbst: Directly elected Cllr GD Kgabo: Directly elected Cllr KM Lekgotla Cllr RL Modise: Greater Taung Local Municipality Cllr JK Masilo: Mamusa Local Municipality Cllr R Molehe: Naledi Local Municipality Cllr MS Morapedi-Letele: Greater Taung Local Municipality Cllr LJ Mothibi: Directly elected Cllr GK Nthebotsenyane: Kagisano Local Municipality Cllr B Pusho: Greater Taung Local Municipality Cllr KC Rooibaatjie: Greater Taung Local Municipality Cllr TA Babuile Cllr TJ Thetswe: Kagisano Local Municipality Cllr CE Tladinyane: Directly elected Cllr NP Tunyiswa: Naledi Local Municipality Cllr EG Letebele Cllr VM Matimba Cllr TS Phokoje
<b>Grading of local authority</b>	3
<b>Accounting Officer</b>	Mr JK Shai Acting Municipal Manager shaik@bhopirima.co.za 053 928 8297
<b>Chief Finance Officer (CFO)</b>	Mr M Mofokeng Acting Chief Financial Officer 053 928 8449
<b>Registered office</b>	34 Church Street Vryburg 8601

## General Information

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<b>Postal address</b>	PO Box 21 Vryburg 8601
<b>Bankers</b>	Nedbank First National Bank
<b>Auditors</b>	The Auditor General of South Africa Registered Auditors
<b>Attorneys</b>	The Municipality has an internal legal unit It also uses a panel of attorneys to ensure competetiveness
<b>Contact details</b>	Telephone: (+27) 053 928 6400 Email: info@bophirima.co.za

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EQS	Equitable Share
PIG_MRG	Public Infrastructure Grant_Municipal Rehabilitation Grant
RBIG	Regional Bulk Infrastructure Grant
LGSETA	Local Government Sector Education and Training Authority
MMC	Member of Mayoral Committee
MPRA	Municipal Property Rates Act
mSCOA	Municipal Standard Chart of Accounts
PPE	Property, plant and equipment
RUL	Remaining useful life
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
UIFW	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
VAT	Value-Added Tax
RAMS	Roads Asset Management System
WSIG	Water Service Infrastructure Grant
MDG	Municipal Disaster Recovery Grant
RAMS	Rural Asset Management System

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

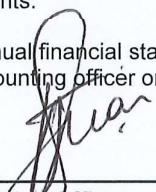
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 12, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



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Accounting Officer  
(Acting) Mr JK Shai

# Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2022.

## 1. Background

Dr. Ruth Segomotsi Mompati District Municipality (Dr.RSMDM) and all its local municipalities namely Naledi Local Municipality, Mamusa Local Municipality, Kagisano Local Municipality, Lekwa Teemane Local Municipality, have opted for the shared Audit and performance Committee Services. The Audit and Performance Committee (APC) was established in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. The Audit and Performance Committee (APC) has adopted its terms of reference.

### Statutory requirements

Section 166 of the MFMA stipulates that each municipality must establish an Audit committee.

The Audit committee is an independent advisory body that advises council, political office bearers, accounting officer, and the staff of the municipality on the following

Internal financial control and internal audit;

Risk management;

Accounting policies

The adequacy, reliability and accuracy of financial reporting and information;

Performance management;

Compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicable legislation;

Performance evaluation

Any other issues referred to it by the municipality;

Review annual financial statements to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA any other applicable laws.

Respond to Council on any matter raised by the Auditor- General (AGSA); and

Carry out such investigation into financial affairs of the municipality as may be prescribed

# Audit Committee Report

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## Attendance of meetings

The audit committee consists of the members listed hereunder .

The following, although not members of the Audit and Performance Committee (APC), have standing invitation to Audit and Performance committee meetings:

- The Accounting Officer;
- The Chief Financial Officer;
- The chairperson of the Risk committee
- The Section 56 Managers/Departmental Heads
- Chief Audit Executive
- Chief Risk Officer
- The Auditor- General
- The Provincial Treasury

The members of the audit committee also held meetings with the municipal manager as the accounting officer, council of the municipal entity, the chairperson of risk, senior management of the municipality, the internal audit function and the Auditor General, collectively and individually, on matters related to governance, internal control performance, financial information, risk and other relevant matters concerning the municipality.

# Audit Committee Report

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## 3 Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits

The internal Audit of Dr.RSMDM is in-house and has discharged its mandate in terms of its charter and managed to execute 66% of the projects as per the for 2020/21 Annual Plan (The remaining percentage was affected by the unforeseen covid 19 pandemic which was not planned for and unplanned relocation of the main building which resulted in movements of assets). The Audit and Performance Committee (APC) would like to commend the Council and management for the dedication in strengthening the Corporate Governance.

The Audit and Performance Committee (APC) is of the opinion that Internal Audit unit is operating effectively to meet its mandate and has considered the risk pertinent to the municipality in its audit plans.

The following documents were approved by the Audit Committee and performance committee and recommended to Council for adoption:

- Internal Audit charter
- Internal Audit methodology
- Internal Audit Risk Based Plan
- Three Year Rolling Strategic and Annual Audit Plan

## 4. Effectiveness of Internal controls

The system of internal control was not entirely effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances.

The following reports are among others that were presented to the Audit Committee

Audit of quarterly performance information;

Expenditure Management;

Supply Chain Management;

ICT audit;

Governance;

Leave management;

Local Economic development; and

Budget management

The audit committee is concerned that in certain instances the matters reported by the Auditor General and the internal audit function in prior years have not been fully and satisfactorily addressed.

## 5. Risk Management

The municipality has an effective risk unit that consists of three staff members and Risk management, anti-fraud and anti-corruption committee that is chaired by the Chairperson of Risk management, anti-fraud, and anti-corruption.

The Audit and Performance Committee is satisfied that:

- Risk management has been fully embedded at the municipality.
- The Audit Committee has noted the efforts of the risk unit in facilitating the risk management within the municipality



## Audit Committee Report

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- Management is therefore responsible to manage their departmental risks and ensuring that the combined risk management is achieved and implemented successfully

### 6. Performance Management

Part of the responsibilities of the audit committee includes the review of performance management. The audit committee has in terms of the performance of the municipality performed the following functions:

The audit and performance committee reviewed the functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets and compliance matters are concerned

### 7. Year- end reporting

The Audit and Performance Committee (APC) has reviewed the Annual Performance Information report before the report was submitted to the Auditor-General and the qualities of the quarterly reports submitted by management during the year were of acceptable standard.

### 8. Evaluation of Annual financial statements

The Audit and Performance Committee (APC), on its meeting held on the 28 August 2022 set to discuss the draft annual financial statements and unaudited annual report with the Accounting Officer, before submitting to the Auditor General.

The Audit committee wishes to indicate that it performed a review on the financial statements focusing among others:

- Significant financial reporting adjustments and estimates contained in the Annual Financial Statements
- Clarity and completeness of disclosures has been set properly
- Quality and acceptability of and any changes in accounting policies and practice.
- Significant adjustments arising from the audit
- Reasons for major year to year fluctuations
- Reinstatement of prior year amounts

The APC reviewed and noted the draft annual financial statements for financial year ended 30 June 2022. An extension on compliance matters with regard to submission dates was also noted

### 9. Final Auditor General's Report

The Audit and Performance Committee (APC) has:

Further reviewed the audited financial statements to be included in the Annual Report with the Accounting Officer.

Reviewed the Auditor General Management report and management response thereof

Reviewed the municipality compliance with legal and regulatory provision and;

Reviewed significant adjustments resulting from the audit.

The Audit and Performance Committee (APC) concurs and accepts the conclusions of the Auditor- General on the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

### 10. Conclusion

The Audit and Performance Committee (APC) acknowledges the co-operation and assistance by the DR.RSMDM for coordinating the activities of the Committee.

## Audit Committee Report

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The Audit and Performance Committee (APC) further acknowledge the commitment into good governance as shown by the Honorable Executive mayor and her Council and further express gratitude to the Chief Audit Executive and her staff for the support and commitment to the work of the Audit and Performance Committee.

The Chairperson of the Audit and performance committee remain confident that if all matters raised by the Internal Audit and Auditor General can receive due consideration and intervention, the audit opinion will improve.

We are committed to fully execute our assurance and oversight function to strengthening Corporate Governance.



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**Chairperson of the Audit Committee**

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2022.

### 1. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 2 983 104 471 and that the municipality's total assets exceed its liabilities by 2 983 104 471.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. There are however, indicators or factors casting doubt on the going concern.

The detailed analysis on going concern is included on note 43 to the annual financial statements.

### 2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 3. Accounting Officer's interest in contracts

The accounting officer has no interest in any contracts.

### 4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year:

There were no changes in the policy relating to the use of non-current assets.

### 6. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The annual financial statements set out on page 12, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



Accounting Officer  
(Acting) Mr JK Shai

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	7	4 736 252	983 074
VAT receivable	8	153 626 120	116 214 562
Cash and cash equivalents	9	297 405 343	110 076 782
		<b>455 767 715</b>	<b>227 274 418</b>
<b>Non-Current Assets</b>			
Investment property	3	9 121 000	9 143 500
Property, plant and equipment	4	3 683 349 278	3 391 664 576
Intangible assets	5	6 321 754	8 593 232
		<b>3 698 792 032</b>	<b>3 409 401 308</b>
<b>Total Assets</b>		<b>4 154 559 747</b>	<b>3 636 675 726</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	12	10 800 000	10 800 000
Payables from exchange transactions	14	855 076 859	709 664 960
Payables from non-exchange transactions	15	432 857	4 287 543
Employee benefit obligation	6	2 612 329	2 380 443
Unspent conditional grants and receipts	11	248 004 590	71 672 060
Provisions	13	4 879 081	6 538 131
		<b>1 121 805 716</b>	<b>805 343 137</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	12	834 315	12 534 315
Employee benefit obligation	6	48 815 244	42 389 725
		<b>49 649 559</b>	<b>54 924 040</b>
<b>Total Liabilities</b>		<b>1 171 455 275</b>	<b>860 267 177</b>
<b>Net Assets</b>		<b>2 983 104 472</b>	<b>2 776 408 549</b>
Accumulated surplus	10	2 983 104 471	2 776 408 547
<b>Total Net Assets</b>		<b>2 983 104 471</b>	<b>2 776 408 547</b>

\* See Note 41 & 40

## Statement of Financial Performance for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment	17	1 249 338	1 135 612
Other income	19	305 148	509 967
Investment revenue	20	9 506 278	3 423 317
<b>Total revenue from exchange transactions</b>		<b>11 060 764</b>	<b>5 068 896</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	23	841 864 471	694 799 732
Other income	24	10 500 000	-
<b>Total revenue from non-exchange transactions</b>		<b>852 364 471</b>	<b>694 799 732</b>
<b>Total revenue</b>	16	<b>863 425 235</b>	<b>699 868 628</b>
<b>Expenditure</b>			
Employee related costs	25	(168 680 402)	(150 039 002)
Remuneration of councillors	26	(11 346 204)	(8 635 185)
Depreciation and amortisation	27	(86 747 501)	(86 395 903)
Finance costs	29	(4 967 217)	(5 339 443)
Lease rentals on operating lease	18	(5 926 541)	(6 728 883)
Debt Impairment	30	(209 939)	(369 922)
Loss on disposal of assets		-	(46 330)
Bulk purchases	31	(14 225 555)	(16 047 704)
Contracted services	32	(314 144 597)	(261 003 244)
Transfers and Subsidies	22	(3 056 437)	(1 113 804)
General Expenses	33	(45 622 120)	(36 720 929)
<b>Total expenditure</b>		<b>(654 926 513)</b>	<b>(572 440 349)</b>
<b>Operating surplus</b>		<b>208 498 722</b>	<b>127 428 279</b>
Fair value adjustments	21	(22 500)	3 631 218
Actuarial gains/(losses)	6	(1 733 198)	1 480 001
Impairment loss	28	(47 102)	(4 875 106)
		<b>(1 802 800)</b>	<b>236 113</b>
<b>Surplus for the year</b>		<b>206 695 922</b>	<b>127 664 392</b>

\* See Note 41 & 40

## Statement of Changes in Net Assets as at 30 June 2022

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 640 585 176	2 640 585 176
Adjustments		
Correction of errors	8 158 979	8 158 979
<b>Balance at 01 July 2020 as restated*</b>	<b>2 648 744 155</b>	<b>2 648 744 155</b>
Changes in net assets		
Surplus for the year	127 664 392	127 664 392
Total changes	127 664 392	127 664 392
<b>Restated* Balance at 01 July 2021</b>	<b>2 776 408 549</b>	<b>2 776 408 549</b>
Changes in net assets		
Surplus for the year	206 695 922	206 695 922
Total changes	206 695 922	206 695 922
<b>Balance at 30 June 2022</b>	<b>2 983 104 471</b>	<b>2 983 104 471</b>
Note(s)		

\* See Note 41 & 40

## Cash Flow Statement as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies		1 018 197 000	649 959 400
Interest received		9 506 278	3 423 317
Other receipts		12 054 486	1 645 579
		<u>1 039 757 764</u>	<u>655 028 296</u>
<b>Payments</b>			
Employee costs		(181 815 153)	(160 221 676)
Suppliers		(282 691 021)	(237 703 189)
Finance costs		(15 203)	(88 102)
		<u>(464 521 377)</u>	<u>(398 012 967)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>575 236 387</u></b>	<b><u>257 015 329</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(376 207 826)	(249 072 189)
Movement of other intangible assets	5	-	(2 380 869)
<b>Net cash flows from investing activities</b>		<b><u>(376 207 826)</u></b>	<b><u>(251 453 058)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(11 700 000)	(10 800 000)
<b>Net cash flows from financing activities</b>		<b><u>(11 700 000)</u></b>	<b><u>(10 800 000)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>187 328 561</b>	<b>(5 237 729)</b>
Cash and cash equivalents at the beginning of the year		110 076 782	115 314 511
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>297 405 343</u></b>	<b><u>110 076 782</u></b>

\* See Note 41 & 40

## Statement of Comparison of Budget and Actual Amounts as at 30 June 2022

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Rental of facilities and equipment	1 167 000	52 000	<b>1 219 000</b>	1 249 338	<b>30 338</b>	
Other income	3 809 000	(2 676 000)	<b>1 133 000</b>	305 148	<b>(827 852)</b>	A1
Interest received	10 685 000	(6 073 000)	<b>4 612 000</b>	9 506 278	<b>4 894 278</b>	A2
<b>Total revenue from exchange transactions</b>	<b>15 661 000</b>	<b>(8 697 000)</b>	<b>6 964 000</b>	<b>11 060 764</b>	<b>4 096 764</b>	

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	1 082 380 000	(64 183 000)	<b>1 018 197 000</b>	841 864 471	<b>(176 332 529)</b>	A3
Other income	-	-	-	10 500 000	<b>10 500 000</b>	A4
<b>Total revenue from non-exchange transactions</b>	<b>1 082 380 000</b>	<b>(64 183 000)</b>	<b>1 018 197 000</b>	<b>852 364 471</b>	<b>(165 832 529)</b>	
<b>Total revenue</b>	<b>1 098 041 000</b>	<b>(72 880 000)</b>	<b>1 025 161 000</b>	<b>863 425 235</b>	<b>(161 735 765)</b>	

#### Expenditure

Employee related costs	(154 969 000)	(21 520 000)	<b>(176 489 000)</b>	(168 680 402)	<b>7 808 598</b>	A5
Remuneration of councillors	(11 968 000)	318 000	<b>(11 650 000)</b>	(11 346 204)	<b>303 796</b>	A6
Depreciation and amortisation	(70 597 000)	(20 788 000)	<b>(91 385 000)</b>	(86 747 501)	<b>4 637 499</b>	A7
Impairment loss	-	-	-	(47 102)	<b>(47 102)</b>	A8
Finance costs	(7 273 000)	-	<b>(7 273 000)</b>	(4 967 217)	<b>2 305 783</b>	A9
Lease rentals on operating lease	-	-	-	(5 926 541)	<b>(5 926 541)</b>	A10
Debt Impairment	(800 000)	800 000	-	(209 939)	<b>(209 939)</b>	A11
Bulk purchases	(85 853 000)	(102 048 000)	<b>(187 901 000)</b>	(14 225 555)	<b>173 675 445</b>	A12
Contracted Services	(44 362 000)	(96 498 000)	<b>(140 860 000)</b>	(314 144 597)	<b>(173 284 597)</b>	A13
Transfers and Subsidies	(8 318 000)	(2 495 000)	<b>(10 813 000)</b>	(3 056 437)	<b>7 756 563</b>	A14
Loss on disposal of assets	(3 500 000)	3 500 000	-	-	-	
General Expenses	(39 426 000)	(2 708 000)	<b>(42 134 000)</b>	(45 622 120)	<b>(3 488 120)</b>	A15
<b>Total expenditure</b>	<b>(427 066 000)</b>	<b>(241 439 000)</b>	<b>(668 505 000)</b>	<b>(654 973 615)</b>	<b>13 531 385</b>	
<b>Operating surplus</b>	<b>670 975 000</b>	<b>(314 319 000)</b>	<b>356 656 000</b>	<b>208 451 620</b>	<b>(148 204 380)</b>	
Fair value adjustments	-	-	-	(22 500)	<b>(22 500)</b>	A16
Actuarial gains/losses	-	-	-	(1 733 198)	<b>(1 733 198)</b>	A17
	-	-	-	<b>(1 755 698)</b>	<b>(1 755 698)</b>	
<b>Surplus before taxation</b>	<b>670 975 000</b>	<b>(314 319 000)</b>	<b>356 656 000</b>	<b>206 695 922</b>	<b>(149 960 078)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>670 975 000</b>	<b>(314 319 000)</b>	<b>356 656 000</b>	<b>206 695 922</b>	<b>(149 960 078)</b>	



## Statement of Comparison of Budget and Actual Amounts as at 30 June 2022

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Receivables from non-exchange transactions	145 068 000	-	145 068 000	4 736 252	(140 331 748)	A18
VAT receivable	-	-	-	153 626 120	153 626 120	A19
Cash and cash equivalents	173 927 000	-	173 927 000	297 405 343	123 478 343	A20
	<b>318 995 000</b>	<b>-</b>	<b>318 995 000</b>	<b>455 767 715</b>	<b>136 772 715</b>	

##### Non-Current Assets

Investment property	5 625 000	-	5 625 000	9 121 000	3 496 000	A21
Property, plant and equipment	2 619 607 000	8 364 000	2 627 971 000	3 683 349 278	1 055 378 278	A22
Intangible assets	2 401 000	-	2 401 000	6 321 754	3 920 754	A23

	<b>2 627 633 000</b>	<b>8 364 000</b>	<b>2 635 997 000</b>	<b>3 698 792 032</b>	<b>1 062 795 032</b>	
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#### Total Assets

	<b>2 946 628 000</b>	<b>8 364 000</b>	<b>2 954 992 000</b>	<b>4 154 559 747</b>	<b>1 199 567 747</b>	
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#### Liabilities

##### Current Liabilities

Other financial liabilities	10 800 000	-	10 800 000	10 800 000	-	
Payables from exchange transactions	309 130 000	-	309 130 000	855 076 859	545 946 859	A24
Payables from non-exchange transactions	-	-	-	432 857	432 857	A25
Employee benefit obligation	-	-	-	2 612 329	2 612 329	A26
Unspent conditional grants and receipts	-	-	-	248 004 590	248 004 590	A27
Provisions	11 215 000	-	11 215 000	4 879 081	(6 335 919)	A28
	<b>331 145 000</b>	<b>-</b>	<b>331 145 000</b>	<b>1 121 805 716</b>	<b>790 660 716</b>	

##### Non-Current Liabilities

Other financial liabilities	-	-	-	834 315	834 315	A29
Employee benefit obligation	-	-	-	48 815 244	48 815 244	
Provisions	8 542 000	-	8 542 000	-	(8 542 000)	
	<b>8 542 000</b>	<b>-</b>	<b>8 542 000</b>	<b>49 649 559</b>	<b>41 107 559</b>	

#### Total Liabilities

	<b>339 687 000</b>	<b>-</b>	<b>339 687 000</b>	<b>1 171 455 275</b>	<b>831 768 275</b>	
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#### Net Assets

	<b>2 606 941 000</b>	<b>8 364 000</b>	<b>2 615 305 000</b>	<b>2 983 104 472</b>	<b>367 799 472</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	2 606 941 000	8 364 000	2 615 305 000	2 983 104 472	367 799 472	A30
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# Accounting Policies

Figures in Rand	Note(s)	2022	2021
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## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### Trade receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### VAT

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate to 15% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

## Accounting Policies

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### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land		Indefinite
Buildings		.
Wall	Straight-line	60 years
Carpots	Straight-line	7 years
Electrical installation	Straight-line	30 years
Electrical connection	Straight-line	45 years
Floor	Straight-line	50 years
FF&E	Straight-line	15 Years

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## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Fire Protection	Straight-line	20 Years
Foundation or Formation	Straight-line	100 years
Heating and air conditioning	Straight-line	5 years
Lift	Straight-line	30 years
Paving	Straight-line	50 years
Parameter protection	Straight-line	30 years
Pipe Sewer	Straight-line	40 years
Pipe water	Straight-line	80 years
Plumping	Straight-line	20 years
Security System	Straight-line	7 years
Septik tank	Straight-line	40 years
Small building or enclosure	Straight-line	20 years
Swimming pool	Straight-line	20 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Furniture	Straight-line	7 years
Vehicles	Straight-line	7 years
Infrastructure - Sanitation		.
Building	Straight-line	60 years
Civil structure	Straight-line	30 years
Communal water	Straight-line	10 years
Drainage structure	Straight-line	5 years
Earthworks	Straight-line	20 years
Electrical equipment	Straight-line	50 years
External facility	Straight-line	15 years
HV Substation	Straight-line	50 years
LV Conductors	Straight-line	60 years
Mechanical equipment	Straight-line	30 years
Metal Work	Straight-line	20 years
Municipal service connection	Straight-line	45 years
Parking area	Straight-line	20 years
Paved roads	Straight-line	80 years
Pipe work	Straight-line	80 years
Unpaved road	Straight-line	5 years
Electricity		
MV Substation	Straight-line	45 years
MV Transformer	Straight-line	45 years
LV Conductor	Straight-line	45 years
Water		
Boreholes	Straight-line	100 years
Bulkman	Straight-line	80 years
Damn and Weirs	Straight-line	15 years
Distribution	Straight-line	20 years
PRV stations	Straight-line	80 years
Pump stations	Straight-line	20 years
Resoirvors and Towers	Straight-line	20 years
Water treatment works	Straight-line	30 years
Perimeter protection- Iron palisade	Straight-line	43 years
Wave protection	Straight-line	95 years
Switchgear	Straight-line	18 years
Perimeter protection	Straight-line	28 years
Bridge	Straight-line	100 years
Taxidermy mounts	Straight-line	11 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

## Accounting Policies

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### 1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Patents, trademarks and other rights	Straight-line	Indefinite
Computer software	Straight-line	3 to 5

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Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

## Accounting Policies

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### 1.7 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.



## Accounting Policies

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### 1.7 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Receivables from exchange and non exchange	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
DBSA Loan	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Lease obligations	Financial liability measured at amortised cost

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

## Accounting Policies

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### 1.8 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

## Accounting Policies

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### 1.9 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

## Accounting Policies

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### 1.10 Impairment of non-cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

## Accounting Policies

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### 1.11 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

## Accounting Policies

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### 1.11 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.



## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

## Accounting Policies

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### 1.13 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### 1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure is disclosed exclusive of VAT.

### 1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

## Accounting Policies

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### 1.19 Irregular expenditure (continued)

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.20 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

## Accounting Policies

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### 1.21 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## Notes to the Annual Financial Statements

Figures in Rand

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2021

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
GRAP 25 Employee obligations	1 April 2022	Unlikely to have a material impact
GRAP 104 Financial Instruments	1 April 2022	Unlikely to have a material impact
GRAP 103 Heritage Assets	1 April 2022	Unlikely to have a material impact



## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Investment property

Investment property

2022			2021		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
9 121 000	-	9 121 000	9 143 500	-	9 143 500

#### Reconciliation of investment property - 30 June 2022

Investment property

Opening balance	Fair value adjustments	Total
9 143 500	(22 500)	9 121 000

#### Reconciliation of investment property - 30 June 2021

Investment property

Opening balance	Fair value adjustments	Total
5 512 282	3 631 218	9 143 500

#### Pledged as security

None of the Investment properties were pledged as security.

#### Investment property in the process of being constructed or developed

There is no investment property under construction not being acquired.

No investment property that is taking a significantly longer period of time to complete than expected.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Notes to the Annual Financial Statements

Figures in Rand

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### 3. Investment property (continued)

The effective date of the revaluation was 30 June 2022. Revaluation (Fair value adjustments) were performed by independent valuers, Segopane and Associates (Pty) Ltd.

Professional Registration with the South African Council for the Property Valuers Profession: 7718. Sam Segopane is not connected to the Municipality and has recent experience in location and category of the investment property being valued.

The valuation was based on the comparable sales method which consists of comparing the properties with other properties which have recently been sold in the market and then making the necessary adjustments in order to determine the present market value of the properties

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP 16.

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

#### Maintenance of investment property

There were no repairs and maintenance for investment property during the period ended 30 June 2022.

No investment property that is taking significantly longer period of time to complete than expected.

#### Income generated from Investment property

##### Rentals of investment property

Revenue from Investment property

1 249 338

1 135 612

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 458 580	-	3 458 580	3 458 580	-	3 458 580
Buildings	129 524 332	(91 826 221)	37 698 111	129 494 732	(87 875 277)	41 619 455
Plant and equipment	3 058 309	(2 852 491)	205 818	3 002 987	(2 737 141)	265 846
Furniture and office equipment	2 273 349	(1 876 174)	397 175	2 019 367	(1 747 283)	272 084
Motor vehicles	25 773 711	(20 715 206)	5 058 505	24 279 711	(19 228 853)	5 050 858
IT equipment	12 136 762	(5 963 518)	6 173 244	7 409 837	(4 355 693)	3 054 144
Infrastructure	2 392 794 487	(635 711 811)	1 757 082 676	2 347 396 961	(558 478 049)	1 788 918 912
Work In progress	1 873 275 169	-	1 873 275 169	1 549 024 697	-	1 549 024 697
<b>Total</b>	<b>4 442 294 699</b>	<b>(758 945 421)</b>	<b>3 683 349 278</b>	<b>4 066 086 872</b>	<b>(674 422 296)</b>	<b>3 391 664 576</b>

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	3 458 580	-	-	-	-	3 458 580
Buildings	41 619 455	29 600	-	(3 950 944)	-	37 698 111
Plant and equipment	265 846	55 322	-	(113 735)	(1 615)	205 818
Furniture and office equipment	272 084	253 981	-	(128 170)	(720)	397 175
Motor vehicles	5 050 858	1 494 000	-	(1 486 353)	-	5 058 505
IT equipment	3 054 144	4 726 925	-	(1 563 058)	(44 767)	6 173 244
Infrastructure	1 788 918 912	21 900	45 375 626	(77 233 762)	-	1 757 082 676
Work In Progress	1 549 024 697	369 626 098	(45 375 626)	-	-	1 873 275 169
	<b>3 391 664 576</b>	<b>376 207 826</b>	<b>-</b>	<b>(84 476 022)</b>	<b>(47 102)</b>	<b>3 683 349 278</b>

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	3 458 580	-	-	-	-	-	3 458 580
Buildings	42 862 948	2 705 380	-	-	(3 948 873)	-	41 619 455
Plant and equipment	375 899	-	-	-	(110 053)	-	265 846
Furniture and office equipment	368 728	-	-	-	(96 644)	-	272 084
Motor vehicles	6 136 630	-	-	-	(1 085 772)	-	5 050 858
IT equipment	2 386 871	1 595 095	(46 330)	-	(881 492)	-	3 054 144
Infrastructure	1 741 227 758	2 539 634	-	129 033 858	(79 007 233)	(4 875 105)	1 788 918 912
Work in progress	1 435 826 475	242 232 080	-	(129 033 858)	-	-	1 549 024 697
	<b>3 232 643 889</b>	<b>249 072 189</b>	<b>(46 330)</b>	<b>-</b>	<b>(85 130 067)</b>	<b>(4 875 105)</b>	<b>3 391 664 576</b>

##### Pledged as security

No property, plant and equipment has been pledged as security.

##### Expenditure incurred to repair and maintain property, plant and equipment

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	596 931	222 792
Vehicles	720 755	353 539
Machinery and equipment	93 003	214 229
Water and sewerage	10 967 107	4 225 000
	<b>12 377 796</b>	<b>5 015 560</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	700 000	-	700 000	700 000	-	700 000
Computer software	12 160 155	(6 538 401)	5 621 754	12 160 155	(4 266 923)	7 893 232
<b>Total</b>	<b>12 860 155</b>	<b>(6 538 401)</b>	<b>6 321 754</b>	<b>12 860 155</b>	<b>(4 266 923)</b>	<b>8 593 232</b>

#### Reconciliation of intangible assets - 30 June 2022

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	700 000	-	700 000
Computer software	7 893 232	(2 271 478)	5 621 754
	<b>8 593 232</b>	<b>(2 271 478)</b>	<b>6 321 754</b>

#### Reconciliation of intangible assets - 30 June 2021

	Opening balance	Additions	Transfers received	Amortisation	Total
Patents, trademarks and other rights	700 000	-	-	-	700 000
Intangible assets under development	4 376 521	2 380 869	(6 757 390)	-	-
Computer Software	2 401 679	-	6 757 390	(1 265 837)	7 893 232
	<b>7 478 200</b>	<b>2 380 869</b>	<b>-</b>	<b>(1 265 837)</b>	<b>8 593 232</b>

#### Pledged as security

None of the intangible assets were pledged as security.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Intangible assets (continued)</b>		
<b>Intangible assets with indefinite useful life</b>		
Patents, trademarks and other rights	700 000	700 000
Dr Ruth Segomotsi Mompati District Municipality as a Water Services Authority (WSA) acquired rights to Wentzel Dam located in Mamusa LM area where they have sole rights to extract water from the dam in order to satisfy their business mandate of supplying water to the communities. This right will only cease to exist when one of the following becomes enforces; (1) the Municipality ceases to exist or merges; (2) the District enters into a contract with one of the locals where they will delegate their service. For this reason, management had concluded that the right will exist into the unforeseen or undeterminable future.		
<b>6. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(44 770 168)	(40 819 624)
Present value of the defined benefit obligation-partly or wholly funded	(6 657 405)	(3 950 544)
	<b>(51 427 573)</b>	<b>(44 770 168)</b>
Non-current liabilities	(48 815 244)	(42 389 725)
Current liabilities	(2 612 329)	(2 380 443)
	<b>(51 427 573)</b>	<b>(44 770 168)</b>
The fair value of plan assets includes:		
<b>Entity's own financial instruments</b>		
<b>Assets used by the entity</b>		
Active employees-PEMA	(23 732 330)	(18 899 466)
Continuation pensioners-PEMA	(18 706 112)	(17 487 136)
Employers accrued liability-LSA	(8 989 131)	(8 383 566)
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	44 770 168	40 819 624
Benefits paid-PEMA	(1 586 109)	(1 492 953)
Assumed in an entity combination	1 586 109	(271 038)
Net expense recognised in the statement of financial performance	6 657 405	5 714 535
	<b>51 427 573</b>	<b>44 770 168</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1 634 010	1 367 240
Past service cost	718 627	575 954
Interest cost	716 380	4 717 515
Actuarial (gains) losses	4 200 525	533 827
Curtailment	1 768 306	(2 696 421)
Settlement	(2 380 443)	1 216 420
	<b>6 657 405</b>	<b>5 714 535</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Obligation	1 733 198	(1 480 001)

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 6. Employee benefit obligations (continued)

#### Key assumptions used-PEMA

Assumptions used at the reporting date:

Discount rates used	13,02 %	11,00 %
Consumer price inflation	8,52 %	7,21 %
Health care cost inflation	10,02 %	8,71 %
Net discount rate	2,73 %	2,93 %
Normal retirement age	65,00	65,00
Fully accrued age (to take account for ill health and early retirement decrements)	63,00	63,00
Continuation percentage (to take account for ill health and early retirement decrements)	90,00 %	90,00 %
Mortality-active employees	SA85-90	SA85-90
Mortality-pensioners	PA (90)-2	PA(90)-2

Full actuarial valuations were performed by independent actuaries, One Pangaea Financial, for the present value of Employment Medical Subsidy liability at 30 June 2022 using the Projected Unit Credit method.

The basis used to determine the overall expected rate of return on assets is as follows:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2021 the duration of liabilities was 15.03 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 13.02% per annum, and the yield on the inflationlinked bonds of a similar term was about 4.15% per annum, implying an underlying expectation of inflation of 8.52% per annum ( $[1 + 13.02\%] / [1 + 4.15\%] - 1$ ).

A healthcare cost inflation rate of 10.02% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.73% per annum ( $[1 + 13.02\%] / [1 + 10.02\%] - 1$ ). This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 6. Employee benefit obligations (continued)

#### Key assumptions used - LSA

Discount rate	11,20 %	8,97 %
CPI	7,28 %	5,68 %
Salary increase rate	8,28 %	6,68 %
Net discount rate	2,70 %	2,15 %
Net retirement age (years)	63	63
Mortality	SA85-90	SA85-90
Number of employees	191	191

Full actuarial valuations were performed by independent actuaries, One Pangaea Financial, for the present value of Long Service Bonus Awards liability at 30 June 2022 using the Projected Unit Credit method.

The basis on which the net discount rate has been determined is as follow:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation..

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was 7.13 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 11.20% per annum, and the yield on inflation-linked bonds of a similar term was about 3.65% per annum. This implies an underlying expectation of inflation of 7.28% per annum ( $[1 + 11.20\%] / [1 + 3.65\%] - 1$ ).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 8.28% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.70% per annum ( $[1 + 11.20\%] / [1 + 8.28\%] - 1$ ).

### 7. Receivables from non-exchange transactions

Provision for impairment on receivables	(12 617 450)	(12 407 511)
Other receivables from non-exchange revenue	16 975 128	13 012 011
Employee debtor	378 574	378 574
	<b>4 736 252</b>	<b>983 074</b>

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 4 months past due are not considered to be impaired. At 30 June 2022, 1 114 282 (2021: 457 734) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	221 999
2 months past due	151 595	17 484
3 months past due	962 687	218 251

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(12 407 511)	(12 037 589)
Provision for impairment	(209 938)	(369 922)
	<b>(12 617 449)</b>	<b>(12 407 511)</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>8. VAT receivable</b>		
VAT	153 626 120	116 214 562

The Municipality is registered for VAT on payment basis.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	210	210
Bank balances	21 064 166	14 211 149
Short-term deposits	276 340 967	95 865 423
	<b>297 405 343</b>	<b>110 076 782</b>

No cash and cash equivalents have been pledged as security.

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB - Primary Bank Account Cheque Account # 62419781374	12 433 781	8 215 584	1 316 096	12 433 781	8 215 584	1 316 096
FNB - 6 Months Fixed Account # 71230646229	-	-	4 500 000	-	-	4 500 000
FNB - Call Account # 62453114383	-	-	29 885 567	-	-	29 885 567
FNB - Call Account # 62453115224	-	-	14 623 969	-	-	14 623 969
FNB - Call Account # 62453121065'	-	-	1 014 688	-	-	1 014 688
FNB - Call Account # 62453121552	-	-	126 490	-	-	126 490
FNB - Call Account # 62453063986	-	-	624 306	-	-	624 306
FNB - Call Account # 62453006283	-	-	260 090	-	-	260 090
FNB - Call Account # 62453097472	-	-	30 025	-	-	30 025
FNB - Call Account #62453117452	-	-	289	-	-	289
FNB - Call Account #62453014103	-	-	1 612 854	-	-	1 612 854
FNB - Call Account #62453118509	-	-	3 000	-	-	3 000
FNB - Call Account #62483135664	-	-	28 824	-	-	28 824
FNB - Call Account #62522175878	-	-	44 725 324	-	-	44 725 324
FNB - Call Account #62453058987	-	-	820 591	-	-	820 591
FNB RBIG Retention 62849834127	-	-	910 419	-	-	910 419
FNB WSIG Retention 62849634490	-	-	6 426 656	-	-	6 426 656
FNB MIG Retention 62849634820	-	-	8 403 329	-	-	8 403 329
Nedbank- Primary Bank Account # 1207201049	8 630 375	5 995 565	-	8 630 375	5 995 565	-
NEDBANK MAMUSA MIG 37881163836	128 814	1 507 546	-	128 814	1 507 546	-
NEDBANK WSIG Retention 37881163917	3 888 392	1 347 527	-	3 888 392	1 347 527	-
NEDBANK MIG 37881163852	13 769	4 199 914	-	13 769	4 199 914	-
NEDBANK MIG Retention 37881163925	3 683 029	536 928	-	3 683 029	536 928	-
NEDBANK RBIG Retention 37881163933	14 036 974	2 314 778	-	14 036 974	2 314 778	-
NEDBANK DWAF_RBIG 37881163860	240 053 281	80 795 542	-	240 053 281	80 795 542	-
NEDBANK Equitable Share 37881163895	11 703 636	482 553	-	11 703 636	482 553	-
NEDBANK WSIG 37881163909	1 200 092	2 996 986	-	1 200 092	2 996 986	-

## Notes to the Annual Financial Statements

Figures in Rand				2022	2021	
<b>9. Cash and cash equivalents (continued)</b>						
NEDBANK EPWP 37881163887	75 087	652 032	-	75 087	652 032	-
NEDBANK RAMS 37881163879	1 556 894	1 004 298	-	1 556 894	1 004 298	-
NEDBANK FMG 37881163844	1 000	27 322	-	1 000	27 322	-
Petty cash	210	210	2 000	210	210	2 000
VBS MUTUAL BANK-6 Months Smart Fixed Deposit 10087600002	-	-	-	-	-	-
<b>Total</b>	<b>297 405 334</b>	<b>110 076 785</b>	<b>115 314 517</b>	<b>297 405 334</b>	<b>110 076 785</b>	<b>115 314 517</b>

### VBS MUTUAL BANK-6 Months Smart Fixed Deposit 10087600002

Amortised balance before writeoff	150 000 000	150 000 000
Amount impaired by Council	(150 000 000)	(150 000 000)
Reversal of a write off	10 500 000	-
Write off recovered	(10 500 000)	-
	-	-

The Municipality had an investment with VBS Bank to the amount of R150 000 000. The bank went into liquidation and the investment was fully impaired by the Council in 2018 financial year. In 2022 financial year an amount of R10 500 000 was recovered from VBS.

## 10. Accumulated surplus

### Accumulated surplus reconciliation 30 June 2022

	Accumulated surplus	Total
Opening balance	(2 776 408 549)	(2 776 408 549)
Net surplus for the year	(206 695 923)	(206 695 923)
	<b>(2 983 104 472)</b>	<b>(2 983 104 472)</b>

### Accumulated surplus reconciliation 2021

	Accumulated surplus	Total
Opening balance	(2 648 744 155)	(2 648 744 155)
Net surplus for the year	(127 664 392)	(127 664 392)
	<b>(2 776 408 547)</b>	<b>(2 776 408 547)</b>

## 11. Unspent conditional grants and receipts

### Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Regional Bulk Infrastructure Grant (RBIG)	247 828 477	70 810 300
National Borehole Refurbishment (NBR)	1	(1)
Extended Public Works Program (EPWP)	-	(1)
Rural Road Asset Management Grant (RAMS)	176 112	-
LG SETA Grant	-	858 400
Financial Management Grant (FMG)	-	3 362
	<b>248 004 590</b>	<b>71 672 060</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 12. Other financial liabilities

#### At amortised cost

DBSA loan	11 634 315	23 334 315
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Loan redemption date is 31 July 2023. Interest is only incurred on arrear amounts at an interest rate of 12,75% per annum.

This is a loan that was inherited by the District Municipality during the 2005 redemarcation process for the 2 local municipalities, namely Mamusa Local Municipality and Lekwa - Teema Local Municipality for water and sanitation infrastructure projects.

#### Non-current liabilities

At amortised cost	834 315	12 534 315
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#### Current liabilities

At amortised cost	10 800 000	10 800 000
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#### Defaults and breaches

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been renegotiated by the Municipality.

### 13. Provisions

#### Reconciliation of provisions - 30 June 2022

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	6 538 131	2 884 040	(4 543 090)	4 879 081

#### Reconciliation of provisions - 30 June 2021

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	8 541 850	1 665 889	(3 669 608)	6 538 131

### 14. Payables from exchange transactions

Trade payables	788 551 707	654 813 590
Accrued bonus	3 644 994	3 746 685
Retentions	62 880 158	51 104 685
	<b>855 076 859</b>	<b>709 664 960</b>

### 15. Payables from non-exchange transactions

Receiver of Revenue and salary control	-	2 457 239
Provincial Infrastructure Grant (Mamusa MIG)	432 857	1 830 304
	<b>432 857</b>	<b>4 287 543</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Revenue</b>		
Rental of facilities and equipment	1 249 338	1 135 612
Other income	305 148	509 967
Interest received	9 506 278	3 423 317
Government grants & subsidies	841 864 471	694 799 732
VBS bank receipt	10 500 000	-
	<b>863 425 235</b>	<b>699 868 628</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Rental of facilities and equipment	1 249 338	1 135 612
Other income	305 148	509 967
Interest received - investment	9 506 278	3 423 317
	<b>11 060 764</b>	<b>5 068 896</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

**Transfer revenue**

Government grants & subsidies	841 864 471	694 799 732
VBS bank receipt	10 500 000	-
	<b>852 364 471</b>	<b>694 799 732</b>

### 17. Rental of facilities and equipment

**Premises**

Premises	1 249 338	1 135 612
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The operating lease revenue relates to investment property, ERF 1853, portion of ERF 506 Vryburg, that is being leased to the Department of Transport and Public Work on a month to month pending signing of the new agreement since the initial contract lapsed.

The property is leased at market related prices.

### 18. Lease rentals on operating lease

**Premises**

Contractual amounts	3 840 000	4 241 833
<b>Plant and equipment</b>		
Contractual amounts	2 086 541	2 487 050
	<b>5 926 541</b>	<b>6 728 883</b>

The rentals above are lease rentals for:

The Municipal office, situated at 50 Market Street, from Markork Investment Limited. The lease contract commenced on 1 July 2015 and ended on 30 June 2018. The lessee had the option to extend the lease on a year to year basis and this ended in March 2021. The Municipality entered into a new lease agreement for the rental of office space with Ganis Imports for a period of three years starting from March 2021.

The storage space in Market Street is leased on a yearly basis.

The Municipality is also renting printers from suppliers on a month to month basis.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>19. Other income</b>		
Tender Fees	26 259	246 154
Insurance refund and other receipts	278 889	263 813
	<b>305 148</b>	<b>509 967</b>
<b>20. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	1 088 792	242 115
Interest received - Call accounts	8 417 486	3 181 202
	<b>9 506 278</b>	<b>3 423 317</b>
<b>21. Fair value adjustments</b>		
Investment property	(22 500)	3 631 218
<p>Fair value adjustments relates to investment property adjustments, the effective date of the revaluation was 30 June 2022. The revaluation were performed by independent valuers, Segopane Associates (Pty) Ltd.</p>		
<b>22. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Grants paid	3 056 437	1 113 804

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	404 182 000	388 696 000
Expanded Public Works Programme (EPWP)	1 835 000	2 438 001
Financial Management Grant (FMG)	2 103 362	2 196 638
LG SETA Grant	858 400	-
	<b>408 978 762</b>	<b>393 330 639</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	146 578 998	147 087 393
Regional Bulk Infrastructure Grant (RBIG)	227 116 822	119 917 700
Road Asset Management Systems Grant (RAMS)	2 321 889	2 464 000
Water Services Infrastructure Grant (WSIG)	56 868 000	32 000 000
	<b>432 885 709</b>	<b>301 469 093</b>
	<b>841 864 471</b>	<b>694 799 732</b>
<b>Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	70 810 300	-
Current-year receipts	404 135 000	190 728 000
Conditions met - transferred to revenue	(227 116 823)	(119 917 700)
	<b>247 828 477</b>	<b>70 810 300</b>
Conditions still to be met - remain liabilities (see note 11).		
The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	11 342 393
Current-year receipts	146 579 000	135 745 000
Conditions met - transferred to revenue	(146 579 000)	(147 087 393)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Expanded Public Works Incentive (EPWP)</b>		
Balance unspent at beginning of year	(1)	-
Current-year receipts	1 835 000	2 438 000
Conditions met - transferred to revenue	(1 834 999)	(2 438 001)
	<b>-</b>	<b>(1)</b>
Conditions still to be met - remain liabilities (see note 11).		
To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines.		
<b>Road Asset Management Systems (RAMS)</b>		
Current-year receipts	2 498 000	2 464 000
Conditions met - transferred to revenue	(2 321 888)	(2 464 000)
	<b>176 112</b>	<b>-</b>



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 11).		
<b>Water Service Infrastructure Grant (WSIG)</b>		
Current-year receipts	56 868 000	32 000 000
Conditions met - transferred to revenue	(56 868 000)	(32 000 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Municipal Financial Management Grant (FMG)</b>		
Balance unspent at beginning of year	3 362	-
Current-year receipts	2 100 000	2 200 000
Conditions met - transferred to revenue	(2 103 362)	(2 196 638)
	-	<b>3 362</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>LGSETA</b>		
Balance unspent at beginning of year	858 400	-
Current-year receipts	-	858 400
Conditions met - transferred to revenue	(858 400)	-
	-	<b>858 400</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>24. Other income</b>		
VBS bank receipt	10 500 000	-
Other revenue comprise of a repayment from VBS, part of the R150 000 000 that was invested and lost when the bank went into liquidation in 2018. This was fully written off by the Council in 2018.		

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Employee related costs</b>		
Basic Salaries	98 415 179	90 080 080
Bonus	6 997 278	6 952 281
Medical aid - company contributions	7 133 908	7 786 719
Pension fund contributions	13 619 918	13 283 090
UIF and SDL contributions	2 021 574	1 384 419
Leave pay provision charge	449 414	237 223
Travel, motor car, accommodation, subsistence and other allowances	27 725 486	21 232 648
Overtime payments	6 373 435	4 208 817
Long-service awards	716 832	575 451
Housing benefits and allowances	1 812 633	1 775 980
Sitting allowance	1 709 253	1 331 500
Telephone officials	920 917	943 624
Other allowances and subsidies	784 575	247 170
	<b>168 680 402</b>	<b>150 039 002</b>

### Remuneration of Municipal Manager

Annual Remuneration	485 323	831 982
Travel allowance	98 880	140 645
Housing allowance	192 941	360 102
Contributions to UIF, Medical and Pension Funds	41 210	66 103
Cellphone allowance	11 376	20 268
Rural allowance	32 355	55 465
Accommodation and subsistence	-	37 144
Leave pay	-	74 667
	<b>862 085</b>	<b>1 586 376</b>

The Municipal manager, Mr J Mononela was suspended from 1 March 2021 to January 2022. His contract was terminated on 31 January 2022. Please refer to the related parties note for the acting periods.

### Remuneration of Chief Finance Officer

Annual Remuneration	877 587	877 587
Travel allowance	133 462	133 462
Contributions to UIF, Medical and Pension Funds	134 775	132 467
Telephone	11 388	11 388
Rural allowance	45 339	45 339
Accommodation and subsistence	-	22 955
Leave pay	52 315	-
	<b>1 254 866</b>	<b>1 223 198</b>

Mr LC Malema was appointed the Chief Financial Officer from 01 July 2020 and was suspended from the 31st of March 2021.

### Remuneration of Economic Development, Tourism and Agriculture Manager

Annual Remuneration	510 058	680 078
Housing Allowance	158 228	210 971
Accommodation and subsistence	11 771	20 506
Contributions to UIF, Medical and Pension Funds	103 047	132 188
Rural allowance	34 004	45 339
Travel allowance	90 000	120 000
Telephone allowance	8 541	11 388
Leave pay	213 358	61 034
Acting allowances	-	50 635
	<b>1 129 007</b>	<b>1 332 139</b>

## Notes to the Annual Financial Statements

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### 25. Employee related costs (continued)

Mr T Gaanakgomo was acting Municipal Manager from 01 March 2021 to 30 June 2021. His contract as the Senior Manager Economic Development, Tourism and Agriculture Manager was terminated on the 31st of March 2022.

#### Remuneration of Engineering Services Manager

Annual Remuneration	680 078	453 385
Housing Allowance	277 792	186 318
Accommodation and subsistence allowance	92 756	15 392
Contributions to UIF, Medical and Pension Funds	70 387	44 988
Rural allowance	45 339	30 226
Travel allowance	120 000	80 000
Telephone allowance	11 388	7 592
Leave pay	52 315	-
	<b>1 350 055</b>	<b>817 901</b>

#### Remuneration of Corporate Services Manager

Annual Remuneration	680 077	379 274
Housing allowance	166 298	97 007
Accommodation and subsistence allowance	44 121	1 986
Contributions to UIF, Medical and Pension Funds	138 462	77 694
Travel allowance	108 000	63 000
Telephone allowance	11 388	6 643
Rural allowance	45 339	26 447
Annual bonus	94 455	-
Leave pay	69 753	-
	<b>1 357 893</b>	<b>652 051</b>

Mrs M Seleke is the Corporate Services Manager from the first of December 2020.

#### Remuneration of Chief Audit Executive

Annual Remuneration	680 078	396 712
Travel allowance	120 000	70 000
Housing allowance	188 835	112 187
Contributions to UIF, Medical and Pension Funds	157 042	90 738
Telephone allowance	11 388	6 643
Rural allowance	45 339	26 448
Accommodation and subsistence	97 591	13 358
Leave pay	34 876	-
	<b>1 335 149</b>	<b>716 086</b>

Ms T Molise was appointed Senior Manager Internal Audit from the 1st of December 2020.

#### Remuneration of Community Services Manager

Annual Remuneration	680 077	680 077
Housing allowance	257 148	258 832
Accommodation and subsistence	132 765	105 217
Contributions to UIF, Medical and Pension Funds	73 182	65 968
Travel allowance	140 645	140 645
Telephone allowance	11 388	11 388
Rural allowance	45 339	45 339
Annual bonus	283 366	-
Leave pay	34 876	-
	<b>1 658 786</b>	<b>1 307 466</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 25. Employee related costs (continued)

Mr K Vogt was appointed Senior Manager Community Services from the 1st of July 2020.

#### Remuneration of Planning and Development Manager

Annual Remuneration	678 244	453 385
Subsistence and accommodation	93 897	65 420
Travelling allowance	140 644	93 763
Contributions to UIF, Medical and Pension Funds	180 366	103 569
Housing allowance	147 051	113 367
Rural allowance	45 338	30 226
Leave pay	61 034	43 596
Telephone allowance	11 388	7 592
	<b>1 357 962</b>	<b>910 918</b>

#### Remuneration of Acting Municipal Manger

Acting allowance	222 399	-
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Mr KN Colane was acting Municipal Manager from the 1st of September 2021 to 30 June 2022.

#### Remuneration of Acting Chief Financial Officer

Acting allowance	101 382	12 738
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Ms AL Modise was acting CFO from 01 April 2021 to 30 June 2021 and from 01 February 2022 to 30 June 2022.

#### Remuneration of Acting Economic Development, Tourism and Agriculture

Acting allowance	72 213	69 545
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Mr P Pitso was acting Economic Development, Tourism and Agriculture Manager from 01 March 2021 to 30 June 2021 and from 01 April 2022 to 30 June 2022.

#### Remuneration of Acting Senior Manager Engineering

Acting allowance	186 271	58 727
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Mr MA Seichoko was acting Senior Manager Engineering from the 1st of July 2020 to the 30th of October 2020. Mr HL Seichoko was acting Senior Manager Engineering from the 1st of July 2021 to the 30th of June 2022.

#### Remuneration of Acting Senior Manager Corporate Services

Acting allowance	79 813	104 318
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Mr T Moroka was acting Senior Manager Corporate Services from the 1st of July 2020 to the 31st of December 2020. Mr J Shai was acting Senior Manager Corporate Services from the 1st of July 2021 to 31 December 2021.

### 26. Remuneration of councillors

Councillors- Refer to related parties for details	11 346 204	8 635 185
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#### In-kind benefits

The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.

The Mayor and the Speaker each have the use of separate Municipal owned vehicles for official duties and also the fuel at the expense of the Municipality.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	84 476 023	85 130 067
Intangible assets	2 271 478	1 265 836
	<b>86 747 501</b>	<b>86 395 903</b>
<b>28. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	47 102	4 875 106
Impaired assets relates to infrastructure assets, bulk water tanks that collapsed and were destroyed during the 2021 financial year.		
<b>29. Finance costs</b>		
Interest paid	15 204	88 101
Finance costs on employee benefit plan	4 952 013	5 251 342
	<b>4 967 217</b>	<b>5 339 443</b>
<b>30. Debt impairment</b>		
Movement in provision for bad debts	209 939	369 922
<b>31. Bulk purchases</b>		
Water	14 225 555	16 047 704
<b>32. Contracted services</b>		
<b>Outsourced Services</b>		
Professional Services	7 839 336	9 957 236
Security Services	9 391 444	7 171 126
<b>Consultants and Professional Services</b>		
Business and Advisory	28 526 525	32 263 742
Infrastructure and Planning	78 711 814	57 814 951
<b>Contractors</b>		
Maintenance of facilities, vehicles and equipment	12 377 797	5 015 560
Bulk purchase related expenditure	177 297 681	148 780 629
	<b>314 144 597</b>	<b>261 003 244</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. General expenses</b>		
Advertising	107 836	371 867
Assessment rates & municipal charges	781 039	1 362 886
Auditors remuneration	7 390 913	7 047 297
Bank charges	1 821 498	450 993
Legal Fees	18 417 185	11 237 239
Refreshment, entertainment and wellness	684 591	456 751
Insurance	-	1 998 396
Community functions	1 581 502	611 827
Conferences and seminars	264 760	274 492
IT expenses	19 207	1 274 730
Promotions and sponsorships	694 950	282 851
Magazines, books and periodicals	-	9 643
Fuel and oil	1 317 360	1 037 470
Printing, stationery and publications	1 781 802	2 067 000
Protective clothing	329 903	871 857
Royalties and license fees	121 217	237 591
Bursaries for officials	594 482	735 616
Software expenses	2 427 914	862 919
Subscriptions and membership fees	1 968 325	1 909 897
Telephone and fax	1 526 684	1 156 959
Training	894 091	95 078
Accommodation, transport, travel and subsistence	1 958 591	1 290 097
Small tools, materials and supplies	368 850	645 525
Water	122 142	8 720
Refuse	367 556	284 997
Special projects	-	10 000
Funeral assistance	79 722	128 231
	<b>45 622 120</b>	<b>36 720 929</b>
<b>34. Auditors' remuneration</b>		
Fees	7 390 913	7 047 297
<b>35. Cash generated from operations</b>		
Surplus	206 695 922	127 664 392
<b>Adjustments for:</b>		
Depreciation and amortisation	86 747 501	86 395 903
Fair value adjustments	22 500	(3 631 218)
Impairment deficit	47 102	4 875 106
Debt impairment	209 939	369 922
Bad debts written off	-	46 330
Actuarial Gains	1 733 198	(1 480 001)
Movements in provisions	(1 659 050)	(2 003 719)
<b>Changes in working capital:</b>		
Receivables from non-exchange transactions	(3 963 117)	(229 673)
Payables from exchange transactions	145 411 899	100 485 602
VAT	(37 411 558)	(15 585 839)
Movements in retirement benefits assets and liabilities	4 924 207	5 060 633
Unspent conditional grants and receipts	176 332 530	60 329 668
Payables from non exchange transactions	(3 854 686)	(105 281 777)
	<b>575 236 387</b>	<b>257 015 329</b>
<b>36. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		

## Notes to the Annual Financial Statements

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### 36. Financial instruments disclosure (continued)

#### 30 June 2022

##### Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	4 736 252	-	4 736 252
Cash and cash equivalents	-	297 405 343	297 405 343
	<b>4 736 252</b>	<b>297 405 343</b>	<b>302 141 595</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	11 634 315	11 634 315
Trade and other payables from exchange transactions	855 076 859	855 076 859
Trade and other payables from non-exchange transactions	432 857	432 857
	<b>867 144 031</b>	<b>867 144 031</b>

#### 30 June 2021

##### Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	983 074	-	983 074
Cash and cash equivalents	-	110 076 782	110 076 782
	<b>983 074</b>	<b>110 076 782</b>	<b>111 059 856</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	23 334 315	23 334 315
Trade and other payables from exchange transactions	709 664 960	709 664 960
Trade and other payables from non-exchange transactions	4 287 543	4 287 543
	<b>737 286 818</b>	<b>737 286 818</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 37. Commitments

#### Authorised capital expenditure

##### Approved and contracted

• Property, plant and equipment	388 447 387	303 586 555
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##### Total capital commitments

Already contracted for but not provided for	388 447 387	303 586 555
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	4 416 000	5 180 750
- in second to fifth year inclusive	2 944 000	7 360 000
	<b>7 360 000</b>	<b>12 540 750</b>

Operating lease payments represent rentals payable by the municipality for the provision of automated telephone and printing services. The lease is of a period of 3 years with the commencement date being 14 February 2019. No contingent rent is payable. The Municipality is also leasing the office building from March 2021 for a period of 3 years.

### 38. Contingencies

#### Contingent Liabilities

Morweng Attorneys Obo Vince Homes 04-03-2020 The Plaintiff, Vince Homes, issued summonses against the Municipality alleging non-payment for the construction of oxidation pond in Morokweng. The Municipality has appointed Attorneys to defend the matter.	6 251 728	6 251 728
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Willem Coetzee Attorneys Obo Lekratrek. 20-05 2020LEKTRATEK WATER TECHNOLOGIE has taken the Municipality to court for claims for work done, 8 months storage costs, Loss of profit and insurance costs. The Municipality has appointed Katake Attorneys to defend the matter	2 193 228	2 193 228
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Mohlala Attorneys is demanding for damages suffered by Tswaraganang Poultry Trust at Rosendal Farm; they alleged that the damages were occasioned by spillage of sewer at their farm. The Municipality has appointed Katake Attorneys to defend the matter	3 500 000	3 500 000
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Kunene Makopo were appointed to provide insurance cover for all the assets of the municipality and they were paid R729 625,00 and they were subsequently paid R 2 126 344, 64 and they later demanded R1 493 353,04 which later escalated to R3 045 733,74.	3 045 733	-
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	<b>14 990 689</b>	<b>11 944 956</b>
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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>39. Related parties</b>		
Relationships		
Accounting Officer	Mr J Mononela (Municipal Manager) Appointed 01/07/2018 -30/06//2020 Suspended from 01/07/2020 - 31 January 2022	
Chief Financial Officer	Mr KN Colane (Acting Accounting Officer from 01 September 2021 to 30 June 2022) Mr LC Malema (Chief Financial Officer) Appointed 01/07/2020 Suspended 31/03/2021	
Members of key management	Mr K Kumbe 01 July 2021 to 31 Dec 2021 (seconded from Provincial Treasury) Ms Mmuelelwa 01 February 2021 to 30 March 2022 (seconded from Provincial Treasury) Ms AL Nkomo Acting Chief Financial Officer(01/02/2022 – 30/06/2022) Mr M Mofokeng 01 May 2022 to 30 June 2022 (seconded from Provincial Treasury) Mr T Gaanakgomo (Senior Manager EDTA) Appointed 01/07/2019 terminated 31 March 2022 Mr P Pitso (Acting Senior Manager EDTA) Appointed 01 April 2022 to 30 June 2022 Mr S B Sehole (Senior Manager Engineering) Appointed 01 November 2020 Suspended 28 Feb 2022 Mr HL Seichoko (Acting Senior Manager Engineering) Appointed (01 July 2021 to 30 June 2022) Mr J Shai (Acting Senior Manager Corporate Services) Appointed 01 July 2021 to 31 December 2021 Mrs M Seleke (Senior Manager Corporate Services) Appointed 01 January 2022	
Councillors	Ms T Molise (Senior Manager Audit) Appointed 01/12/2020 to 30 June 2022 Mr K Vogt (Senior Manager Community Services) Appointed 01 June 2020 to 30 June 2022 Executive Mayor (Cllr K Sereko Appointed 01 July 2021 to 27 November 2021) Executive Mayor (Cllr TSD Babuile Appointed 08 November 2021 to 25 May 2022) Executive Mayor (Cllr Maje appointed 26 May 2022 to 30 June 2022) Speaker (Cllr E Tladinyane Appointed 01 July 2021 to 07 November 2021) Speaker (Cllr K Sereko 08 November 2021 to 30 June 2022) MMC (Cllr B Setlhabetsi 01 July 2021 to 07 November 2021) MMC (Cllr L Setlhake 01 July 2021 to 07 November 2021) MMC (Cllr M Lee 01 July 2021 to 07 November 2021) MMC (Cllr E Majikel 01 July 2021 to 07 November 2021) MMC (Cllr T Loabile 01 July 2021 to 07 November 2021) MMC (Cllr RL Modise 08 November to 25 May 2022)	

## Notes to the Annual Financial Statements

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### 39. Related parties (continued)

MMC (Cllr BM Nkewu 08 November to 25 May 2022)  
MMC (Cllr TS Phokoje 08 November to 25 May 2022)  
MMC (Cllr MM Ntjilo 08 November to 25 May 2022)  
MMC (Cllr MV Matimba 8 November to 31 January 2022)  
MMC (Cllr EG Letebele 8 November to 25 May 2022)  
MMC (Cllr S Seepamere 26 May 2022 to 30 June 2022)  
MMC (Cllr ST Matobo 26 May 2022 to 30 June 2022)  
MMC (Cllr ST Matobo 26 May 2022 to 30 June 2022)  
MMC (Cllr LC Jacobs 26 May 2022 to 30 June 2022)  
MMC (Cllr NG Masilo 26 May 2022 to 30 June 2022)  
MMC (Cllr KL Duiker 26 May 2022 to 30 June 2022)  
MMC (Cllr B Setlhabetsi 26 May 2022 to 30 June 2022)

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 39. Related parties (continued)

##### Remuneration of management

##### Management class: Councillors

30 June 2022

Name	Basic salary	Travel allowance	Telephone allowance	Housing allowance	Medical, Pension and UIF	Total
Mr ME Arabang	10 812	10 400	-	16 205	247	37 664
Mr JG Brand	2 232	558	-	930	36	3 737
Mr OJ Balebanye	515 684	15 123	-	25 204	5 530	561 541
Mr TA Babuile	347 307	94 367	44 628	102 963	58 862	648 126
Mr GS Bosman	2 233	558	-	930	36	3 757
Ms PL Babuseng	4 064	4 512	-	10 193	125	18 894
Mrs KL Duiker	33 197	18 935	-	34 200	771	87 103
Mr JW Dibakwe	90 093	26 086	18 500	52 339	1 750	188 768
Mr T Gerber	5 940	1 485	-	2 475	96	9 996
Mr CP Herbst	170 592	43 500	44 628	62 844	11 540	333 104
Mr LC Jacobs	42 815	14 926	-	27 790	776	86 307
Ms BR Bareng	7 594	1 898	-	3 164	123	12 779
Mr GD Kgabo	476 631	57 856	44 628	101 027	6 622	686 764
Mr LC Loabile	90 463	22 615	-	37 693	1 462	152 233
Miss MV Lee	85 102	21 275	-	35 709	1 376	143 462
Ms EG Letebele	123 667	36 325	-	66 828	2 123	228 943
Mr KM Lekgotla	10 813	15 439	-	32 405	402	59 059
Mr OE Mogorosi	2 233	558	-	5 530	72	8 393
Ms BL Mahlangu	481 910	15 123	15 824	16 718	13 684	543 259
Mr DJ Molapo	327 778	15 123	15 824	25 204	3 809	387 738
Mrs LV Setlhake (Maogwe)	143 360	41 457	15 824	36 111	27 986	264 738
Mr MM Mkwandawira	143 360	35 840	15 824	41 571	22 237	258 832
Mr P Maleke	327 778	15 123	15 824	25 204	3 809	387 738
Mr ETL Mocumi	60 491	15 123	15 824	25 204	1 136	117 778
Miss KL Mamapula	457 428	558	-	930	4 588	463 504
Mrs SD Mothibedi	2 233	558	-	930	36	3 757

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 39. Related parties (continued)

Mr TE Matsietso	7 594	6 199	-	3 164	123	17 080
Mr MR Mokgobo	2 233	558	-	930	36	3 757
Mr EM Majikela	88 809	22 202	-	37 004	1 436	149 451
Mr MB Moeti	2 233	558	-	1 430	36	4 257
Mr MI Motshabi	2 233	558	-	9 180	96	12 067
Miss KB Mocumi	1 537	384	-	640	25	2 586
Mr RL Modise	116 145	36 050	-	60 044	1 991	214 230
Miss NG Masilo	42 815	19 346	-	48 590	936	111 687
Mrs JK Masilo	4 064	3 387	-	24 443	246	32 140
Mrs R Molehe	4 064	5 622	-	10 943	137	20 766
Mr VM Matimba	93 338	23 335	10 303	38 891	1 612	167 479
Mr MA Maje	171 200	50 490	28 803	94 083	3 262	347 838
Mrs MS Morapedi-Letele	4 064	4 998	-	9 443	133	18 638
Mrs LJ Mothibi	110 102	33 642	28 803	62 126	2 189	236 862
Mr ST Matobo	148 853	43 271	28 803	74 366	2 980	298 273
Ms GK Nthebotsenyane	10 812	20 968	-	28 055	372	60 207
Mr ME Ncobo	457 427	558	-	930	4 588	463 503
Ms BM Nkewu	116 145	36 014	-	61 494	1 998	215 651
Mr PG Modise	60 491	26 165	15 824	30 481	11 681	144 642
Miss MM Ntjilo	222 184	58 203	28 803	103 976	3 965	417 131
Ms B Pusho	4 064	1 016	-	9 443	125	14 648
Mr TS Phokoje	222 184	59 244	28 803	103 978	4 152	418 361
Miss KC Rooibaatjie	4 064	5 918	-	9 693	125	19 800
Mrs K Sereko	480 892	121 069	44 628	183 772	50 865	881 226
Mrs B Setlhabetsi-Mokone	272 838	109 733	44 628	127 073	57 803	612 075
Mr S Seepamere	41 884	14 789	-	25 452	748	82 873
Mr T Tlhanganyane	19 372	4 843	-	11 222	337	35 774
Miss DG Totong	2 088	522	-	870	34	3 514
Mr TJ Thetswe	18 406	4 601	-	15 419	358	38 784
Mr CE Tladinyane	320 590	80 145	44 628	133 576	5 629	584 568
Ms NP Tunyiswa	4 068	4 714	-	9 443	137	18 362
<b>Name</b>						
	<b>7 022 603</b>	<b>1 324 423</b>	<b>551 354</b>	<b>2 120 455</b>	<b>327 389</b>	<b>11 346 204</b>

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## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 39. Related parties (continued)

Councillor name	Basic salary	Travel allowance	Telephone allowance	Housing allowance	Medical, Pension and UIF	Sitting allowance	Total
Ms BL Mahlangu	414 114	103 529	44 400	124 030	66 290	-	752 363
LV Setlhake (Maogwe)	426 019	106 505	44 400	111 371	85 959	-	774 254
KL Mamapula	161 271	58 714	-	92 446	1 794	-	314 225
OJ Balebanye	221 511	67 702	-	109 546	2 768	-	401 527
GD Kgabo	324 729	100 119	44 400	153 504	4 128	-	626 880
DJ Molapo	324 729	113 100	44 400	165 854	4 331	-	652 414
P Maleke	324 729	93 200	44 400	155 454	4 093	-	621 876
ME Ncobo	161 271	46 289	-	78 596	1 699	-	287 855
TA Babuile- Directly elected	189 098	51 642	44 400	56 726	30 724	-	372 590
CP Herbst- Directly elected	183 866	45 966	48 100	49 031	27 764	-	354 727
ME Keetile- Directly elected	-	-	-	-	(213)	-	(213)
MW Moseswa- Directly elected	21 585	5 396	-	8 994	101	-	36 076
MM Mkandawira- Directly elected	227 850	56 962	44 400	66 110	37 058	-	432 380
ETL Mocumi- Directly elected	169 722	46 708	44 400	78 468	2 468	-	341 766
K Sereko- Directly elected	291 918	73 557	44 400	123 583	4 395	-	537 853
B Setlhabetsi-Mokone- Directly elected	247 225	89 771	44 400	92 797	57 757	-	531 950
CE Tladinyane- Directly elected	169 722	67 034	44 400	73 868	2 476	-	357 500
MKI Olifant- Indirectly elected	1 044	261	-	435	(11)	-	1 729
OR Modise- Indirectly elected	2 088	522	-	870	42	-	3 522
JG Brand- Indirectly elected	6 264	1 566	-	2 610	84	-	10 524
AN Bareng- Indirectly elected	4 698	3 702	-	8 008	96	-	16 504
KR Kgosimore- Indirectly elected	10 440	2 610	-	10 400	107	(5 304)	18 253
LC Loabile- Indirectly elected	98 809	24 702	-	41 171	1 521	-	166 203
TM Lenkopane- Indirectly elected	3 551	3 490	-	1 480	(19)	-	8 502
OE Mogorosi- Indirectly elected	6 786	1 697	-	13 728	192	-	22 403
MV Mosinkiemang- Indirectly elected	1 044	1 860	-	435	(11)	-	3 328
SD Mothibedi- Indirectly elected	6 264	21 273	-	10 610	182	-	38 329
TP Sebe- Indirectly elected	1 044	2 336	-	435	(21)	-	3 794
KM Seleseng- Indirectly elected	2 088	1 400	-	870	32	-	4 390
T Tlhaganyane- Indirectly elected	38 323	9 581	-	24 268	640	-	72 812
E Van Biljon- Indirectly elected	2 778	694	-	1 157	(13)	-	4 616
PG Modise- Indirectly elected	169 722	59 205	44 400	57 924	21 457	-	352 708
GS Bosman- Indirectly elected	2 305	1 083	-	1 210	37	-	4 635

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 39. Related parties (continued)

MM Diphikwe- Indirectly elected	3 551	888	-	1 480	(19)	-	5 900
T Gerber	13 890	3 472	-	5 787	225	-	23 374
DA Itumeleng	4 176	1 044	-	1 740	51	-	7 011
BR Bareng	21 306	5 327	-	16 877	316	-	43 826
MC Lepedi	4 176	8 191	-	7 790	116	-	20 273
MV Lee	81 668	24 751	-	38 883	1 364	-	146 666
TE Matsietso	17 755	8 156	-	7 398	287	-	33 596
MR Mokgobo	5 742	1 436	-	8 443	141	-	15 762
EM Majikela	90 004	22 501	-	37 502	1 455	-	151 462
MB Moeti	1 566	392	-	3 803	49	-	5 810
MI Motshabi	1 566	392	-	653	25	-	2 636
DG Totong	5 742	6 378	-	8 443	152	-	20 715
TJ Thetswe	17 755	4 439	-	7 398	287	-	29 879
	<b>4 485 504</b>	<b>1 349 543</b>	<b>580 900</b>	<b>1 862 186</b>	<b>362 356</b>	<b>(5 304)</b>	<b>8 635 185</b>

## Notes to the Annual Financial Statements

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### 40. Prior period errors

#### VAT Receivable

Four invoices from a supplier for 2021 financial year relating to repairs and maintenance works to the amount of R373 750 each including VAT were not recorded in 2021 resulting in a total understatement of VAT receivable by R195 000.

Two bulk purchase invoices for 2021 financial year to the amount of R532 610 and R1 793 910 including VAT respectively were not captured in 2021 financial year resulting in understatement of VAT receivable by a total of R303 459.

Five invoices for 2021 from a supplier with VAT amounts of R12 300, R2 249, R12 300, R12 300 and R11 739 were erroneously raised in 2022 resulting in understatement of VAT receivable for 2021 by a total of R50 888.

Three invoices from a supplier for 2021 to the amount of R227 240 each including VAT were not raised in 2021 resulting in an understatement of VAT receivable by a total of R88 920.

Invoices with VAT amount of R17 993 and R138 665 were not processed in 2020 financial year and another invoice with a VAT amount of R967 was captured twice, this resulted in a net increase in VAT of R155 692.

An invoice from a supplier for 2021 financial year to the amount of R1 343 591 including VAT was incorrectly captured in 2022 thereby understating VAT receivable for 2021 by R175 251.

An invoice from a supplier for the 2020 financial year to the amount of R1 156 including VAT was not processed, resulting in understatement of VAT by R151.

An invoice for bulk purchases to the amount of R244 479 including VAT for 2021 financial year was incorrectly duplicated in the bulk purchases register resulting in overstatement of VAT receivable by R29 280.

An invoice for 2021 financial year for legal fees to the amount of R198 086 including VAT was not captured in 2021 resulting in understatement of VAT receivable by R17469.

Three invoices for 2021 financial year to the amount of R156 189, R59 853 and R893 287 including VAT respectively were not accounted for in 2021 resulting in understatement of VAT receivable by R20 373, R7 807 and R116 516 respectively.

Invoice with a VAT amount of R158 904 was captured thrice resulting in overstatement of VAT by R317 808. Furthermore VAT was overstated by an amount of R607 037 and R295 276 due to duplicated invoices and system migration errors respectively.

An invoice for Ganis to the amount of R197 000 including VAT for transportation of furniture in April 2021 was not raised. This resulted in understatement of VAT receivable for 2021 financial year by R25 696.

#### Property, plant and equipment

A retention on a payment certificate for 2021 financial year was incorrectly recorded as R820 059 instead of R244 919, thereby overstating property, plant and equipment by R575 140.

Three invoices for 2021 financial year to the amount of R156 189, R59 853 and R893 287 including VAT respectively were not accounted for in 2021 resulting in understatement of property, plant and equipment by R52 046, R135 817 and R776 771 respectively. Moreover, property plant and equipment was reduced by depreciation on these amounts totalling R53 420.

An invoice for a gyser for 2021 financial year to the amount of R14 750 was incorrectly included as part of repairs and maintenance instead of capitalised to buildings thereby understating property, plant and equipment and overstating contracted services by the same amount. Moreover, property plant and equipment reduced by depreciation on this amount totalling R184

Assets which were derecognised in 2020 financial year with an opening carrying value of R775 007 at the beginning of 2020 were incorrectly not taken out of the asset register resulting in depreciation being calculated in 2020 and 2021 financial on these assets which was not supposed to be calculated. This resulted in understatement of property plant and equipment for 2020 and 2021 financial year by R73 039 and R10 860 respectively.

A motor vehicle that was involved in an accident in 2020 financial year was fully written off by the insurance. This vehicle was not written off in 2020 financial year thereby overstating the carrying amount of vehicles for 2021 by R95 814.

#### Payables from exchange transactions

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### 40. Prior period errors (continued)

Four invoices from a supplier for 2021 financial year relating to repairs and maintenance works to the amount of R373 750 each including VAT were not recorded in 2021 financial resulting in a total understatement of payables from exchange transactions by R1 495 000.

Two bulk purchase invoices for 2021 financial year to the amount of R532 610 and R1 793 910 including VAT respectively were not captured in 2021 financial year resulting in understatement of payables from exchange transactions by a total of R2 326 520

An invoice for transfers to the amount of R29 963 was not recorded in 2021 resulting in an understatement of payables from exchange transactions by the same amount.

An invoice for transfers to the amount of R28 800 was not recorded in 2021 resulting in an understatement of payables from exchange transactions by the same amount.

Nine 2021 invoices from a supplier to the amount of R82 000, R14 991, R82 000, R3 527, R11 594, R15 840, R5 114, R82 000 and R78 261 excluding VAT respectively were erroneously raised in 2022 resulting in understatement of payables from exchange transaction by a total of R426 215 including VAT.

Three 2021 invoices from a supplier to the amount of R227 240 each including VAT were not raised in 2021 resulting in understatement of payables from exchange transactions by a total of R681 720.

Some payables had negative balances due to system migration errors in 2019 financial year which resulted in payables being understated by an amount of R187 712 and also accumulated surplus being overstated by the same amount. An additional R249, R415 and R1 970 were also system migration errors on two suppliers resulting in payables understated by the same amounts and accumulated surplus overstated by the same.

Invoices to the amount of R139 899, R2 171, R600, R13 635, R1 063 097, R1 670, R1 520, R1 670, R135 000, R180 000, R180 000, R1 670, R1 000 for 2020 financial year were not processed or processed incorrectly resulting in understatement of payables from exchange transactions by the same amounts and also overstatement of accumulated surplus by the same.

Invoices to the amount of R7 410, R331 524, R4 240, R690 and R690 respectively were duplicated in 2020 financial year resulting in overstatement of payables from exchange transactions and understatement of accumulated surplus by the same amounts.

An invoice from a supplier for 2021 financial year to the amount of R1 343 591 including VAT was incorrectly captured in 2022 thereby understating payables from exchange transactions for 2021 by the same amount.

An invoice from a supplier for the 2020 financial year to the amount of R1 156 including VAT was not processed, resulting in understatement of payables from exchange transactions of 2020 by the same amount.

An invoice from a supplier for the 2021 financial year to the amount of R29 149 was not processed in 2021 financial year, resulting in understatement of payables from exchange by the same amount.

An invoice for bulk purchases to the amount of R244 479 including VAT for 2021 financial year was incorrectly duplicated in the bulk purchases register resulting in overstatement of payable from exchange by the same amount.

An invoice for 2021 financial year for legal fees to the amount of R198 086 including VAT was not captured in 2021 resulting in understatement of payables from exchange transactions by the same amount.

A retention on a payment certificate for 2021 financial year was incorrectly recorded as R820 059 instead of R244 919, thereby overstating payable from exchange transactions by R575 140.

Three invoices for 2021 financial year to the amount of R156 189, R59 853 and R893 287 including VAT respectively were not accounted for in 2021 resulting in understatement of payables from exchange transactions by the same amounts.

An invoice for travel claim to the amount of R5 561 was not raised in 2021 resulting in understatement of payables from exchange transactions by the same amount.

Four invoices to the amount of R3 916, R2 060, R1 651 and R6 496 were not processed in 2020 financial year resulting in understatement of payables from exchange by the same amounts.



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### 40. Prior period errors (continued)

Duplicated invoices to the amount of R4 787 343 that were erroneously captured in 2020 financial year resulting in overstatement of payables from exchange by the same amount.

Further system migration errors in 2019 financial year were identified resulting in understatement of payables from exchange by R2 250 537.

An invoice for Ganis to the amount of R197 000 including VAT for transportation of furniture in April 2021 was not raised. This resulted in understatement of payables from exchange transactions for 2021 financial year by the same amount.

A salary control account balance in 2020 financial year to the amount of R1 404 512 was not cleared resulting in payables from exchange transactions overstated by the same amount.

### Unspent conditional grants

LGSETA grant received in 2021 financial year to the amount of R858 400 was incorrectly recognised as revenue upon receipt thereby understating unspent conditional grants by R858 400 and overstating government grants and subsidies revenue by the same amount.

### Government grants and subsidies

LGSETA grant received in 2021 financial year to the amount of R858 400 was incorrectly recognised as revenue upon receipt thereby overstating government grants and subsidies revenue by R858 400 and understating unspent conditional grants by the same amount.

### Contracted Services

Four invoices from a supplier for 2021 financial year relating to repairs and maintenance works to the amount of R373 750 each including VAT were not recorded in 2021 financial year resulting in a total understatement of contracted services by R1 300 000.

Two bulk purchase invoices for 2021 financial year to the amount of R532 610 and R1 793 910 including VAT respectively were not captured in 2021 financial year resulting in understatement of contracted services expenditure by a total of R2 023 061.

Nine invoices for 2021 from a supplier to the amount of R82 000, R14 991, R82 000, R3 527, R11 594, R15 840, R5 114, R82 000 and R78 261 excluding VAT respectively were erroneously raised in 2022 resulting in understatement of contracted services for 2021 by a total of R375 327.

Three 2021 invoices from a supplier to the amount of R227 240 each including VAT were not raised in 2021 resulting in understatement of contracted services by a total of R592 800.

An invoice from a supplier for R6 444 excluding VAT was captured twice in 2021 financial year resulting in contracted services overstated by the same amount.

An invoice from a supplier for 2021 financial year to the amount of R1 343 591 including VAT was incorrectly captured in 2022 thereby understating contracted services for 2021 by R1 168 340.

An invoice for bulk purchases to the amount of R244 479 including VAT for 2021 financial year was incorrectly duplicated in the bulk purchases register resulting in overstatement of contracted services by R195 199.

An invoice for a gyser for 2021 financial year to the amount of R14 750 was incorrectly included as part of repairs and maintenance instead of capitalised to buildings thereby understating property, plant and equipment and equipment and overstating contracted services by the same amount.

### Transfers and subsidies

An invoice for transfers to the amount of R29 963 was not recorded in 2021 resulting in an understatement of transfers and subsidies by the same amount.

An invoice for transfers to the amount of R28 800 was not recorded in 2021 resulting in an understatement of transfers and subsidies by the same amount.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

#### General Expenditure.

Three invoices to the amount of R1 670 and one invoice for R1 000 were not processed in 2021 resulting in understatement of general expenditure by the same amounts.

An invoice from a supplier for the 2021 financial year to the amount of R29 149 was not processed in 2021 financial year, resulting in understatement of payables from exchange by the same amount.

An invoice for 2021 financial year for legal fees to the amount of R198 086 including VAT was not captured in 2021 resulting in understatement of general expenditure by R180 617.

An invoice for travel claim to the amount of R5 561 was not raised in 2021 resulting in understatement of general expenditure by the same amount.

An invoice for Ganis to the amount of R197 000 including VAT for transportation of furniture in April 2021 was not raised. This resulted in understatement of general expenditure for 2021 financial year by R171 304.

#### Depreciation

Three invoices for 2021 financial year to the amount of R156 189, R59 853 and R893 287 including VAT respectively were not accounted for in 2021 resulting in understatement of property, plant and equipment by R52 046, R135 817 and R776 771 respectively. Moreover, depreciation on these invoices amounted to R53 420 was not accounted for in 2021.

An invoice for a gyser for 2021 financial year to the amount of R14 750 was incorrectly included as part of repairs and maintenance instead of capitalised to buildings thereby understating property, plant and equipment and overstating contracted services by the same amount. Moreover, depreciation on this invoice amounted to R184 was not accounted for in 2021.

Assets which were derecognised in 2020 financial year with an opening carrying value of R775 007 at the beginning of 2020 were incorrectly not taken out of the asset register resulting in depreciation being calculated in 2020 and 2021 financial on these assets which was not supposed to be calculated. This resulted in overstatement of depreciation expense for 2020 and 2021 financial year by R73 039 and R10 860 respectively.

A motor vehicle that was involved in an accident in 2020 financial year was fully written off by the insurance. This vehicle was not written off in 2020 financial year thereby overstating depreciation expense of vehicles for 2021 by R53 393.

#### Irregular expenditure

**2020:** Irregular expenditure was adjusted by R4 432 980 relating to irregular expenditure which was identified by the Auditor General in 2021 audit.

**2021:** Irregular expenditure was adjusted by R20 433 325 relating to irregular expenditure which was identified by the Auditor General in 2021 audit. Moreover, a further adjustment to the amount of R3 046 986 was identified in 2022 but relates to 2021.

#### Commitments

Commitments approved but not contracted for the amount of R243 500 000 for 2021 financial year were removed as per the Auditor General finding and recommendations.

Commitments to the amount of R2 112 828 were also adjusted as at 30 June 2021 due to the fact that some contracts were no longer commitments and also some of the payments which were not taken into account in the correct financial year. Furthermore, some operation commitments to the amount of R9 372 545 relating to maintenance of a project were incorrectly included in the capital commitments but these are operational commitments.

#### Fruitless and wasteful expenditure

An amount of R10 900 343 for a capital expenditure incurred on a project that was subsequently abandoned was previously disclosed as unauthorised expenditure instead of fruitless and wasteful expenditure. This resulted in an understatement of fruitless and wasteful expenditure for 2020 by R10 900 343.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

An instance of double payment to a supplier in 2021 financial year to the amount R106 774 was not identified as fruitless and wasteful expenditure resulting in an understatement of fruitless and wasteful expenditure for 2021 by R106 774.

An instance of an over payment to a supplier in 2020 financial year to the amount R61 000 was not identified as fruitless and wasteful expenditure resulting in an understatement of fruitless and wasteful expenditure for 2020 by R61 000.

#### Unauthorised Expenditure

An amount of R10 900 343 for a capital expenditure incurred on a project that was subsequently abandoned was previously disclosed as unauthorised expenditure instead of fruitless and wasteful expenditure. This resulted in an overstatement of unauthorised expenditure for 2020 by R10 900 343 .

Unauthorised expenditure for 2020 was incorrectly calculated as it was not done per vote, this resulted in an adjustment of unauthorised expenditure for 2020 by R205 702 602.

Unauthorised expenditure for 2021 was incorrectly calculated as it was not done per vote, this resulted in an adjustment of unauthorised expenditure for 2021 by R35 506 205.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Increase in property, plant and equipment	-	317 003
Decrease in VAT receivable	-	92 181
Decrease in payables from exchange transactions	-	2 228 546
Increase in unspent conditional grants and receipts	-	(858 400)

#### Statement of financial performance

Decrease in government grants and subsidies	-	858 400
Increase in contracted services	-	5 243 135
Increase in transfers and subsidies	-	58 763
Increase in general expenditure	-	392 642
Increase in depreciation and amortisation	-	11 073

#### Fruitless and wasteful expenditure

Balance as previously reported	-	2 786 980
Adjustments made 2020	-	10 961 343
Adjustments made 2021	-	106 775

**Restated opening balance** **- 13 855 098**

#### Unauthorised expenditure

Opening balance	-	672 142 581
Adjustments	-	230 308 463
	-	<b>902 451 044</b>

#### Commitments

Opening balance as previously stated	-	(558 571 931)
Adjustments made	-	254 985 373
<b>Restated opening balance</b>	-	<b>(303 586 558)</b>

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

#### Irregular expenditure

Opening balance as previously stated	- 1 446 190 213
Adjustments made	- 27 913 291
<b>Restated opening balance</b>	<b>- 1 474 103 504</b>

### 41. Prior year adjustments and reclassifications

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Repairs and maintenance to the amount of R1 330 which was reclassified under general expenditure in 2021 was reclassified to contracted services.

#### Statement of financial position

##### 30 June 2021

	As previously reported	Correction of error	Restated
VAT receivable	116 306 743	(92 181)	116 214 562
Property, plant and equipment	3 391 347 574	317 003	3 391 664 577
Payables from exchange transactions	(711 893 506)	2 228 546	(709 664 960)
Unspent conditional grants and receipts	(70 813 660)	(858 400)	(71 672 060)
	<b>2 724 947 151</b>	<b>1 594 968</b>	<b>2 726 542 119</b>

#### Statement of financial performance

##### 30 June 2021

	As previously reported	Correction of error	Re-classification	Restated
Government grants and subsidies	(695 658 132)	858 400	-	(694 799 732)
Contracted services	255 758 779	5 243 135	1 330	261 003 244
Transfers and subsidies	1 055 041	58 763	-	1 113 804
General expenditure	36 329 616	392 642	(1 330)	36 720 928
Depreciation and amortisation	86 384 830	11 073	-	86 395 903
<b>Surplus for the year</b>	<b>(316 129 866)</b>	<b>6 564 013</b>	<b>-</b>	<b>(309 565 853)</b>

#### Cash flow statement

##### 30 June 2021

	As previously reported	Correction of error	Restated
Cash flow from operating activities			
Payments to suppliers	232 856 082	4 847 107	237 703 189
Cash flow from investing activities			
Purchase of property, plant and equipment	248 667 944	404 245	249 072 189

## Notes to the Annual Financial Statements

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### 42. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The Municipality has a loan that was inherited by the District Municipality during the 2005 redemarcation process for the 2 local municipalities, namely Mamusa Local Municipality and Lekwa - Teema Local Municipality for water and sanitation infrastructure projects. There is a monthly instalment of R900 000 on the loan. The remaining balance as at 30 June 2022 is R11 634 315. Loan redemption date is 31 July 2023. Interest is only incurred on arrear amounts at an interest rate of 12,75% per annum. The Municipality did not default on any payments in the 2022 financial year.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

No credit limits are set and were exceeded during the reporting period, and management does not expect any surplus (deficit) from non-performance by these counterparties.

#### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 43. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 2 983 104 471 and that the municipality's total liabilities exceed its assets by 2 983 104 471.

Management considered the following matters relating to the going concern assumption:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The municipality receives conditional rents and equitable share every year. This aids the municipality in the realisation of assets and settlement of liabilities, contingent obligations and commitments.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by Council
- Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**The following events and conditions that may cast significant doubt about the going concern assumption have been analyzed as at 30 June 2022 and conclusion made on each of them.**

#### A - Financial events

# Notes to the Annual Financial Statements

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## 43. Going concern (continued)

### 1. Net liability position

We have assessed that the municipality's financial position at 30 June 2022 and the municipality is not at a net liability position. The municipality does have a net current liability position where the current liabilities exceed the current assets by R667 147 704 which cast doubt that the municipality might not be in the position to pay all its current liabilities in the normal course of operations.

The municipality has a net asset of R2 983 104 472 as at 30 June 2022. This means that the Municipality will be in position to pay off all its liabilities during the normal course of operations.

### 2. Borrowings

We have assessed that the municipality does not have fixed term borrowings approaching maturity without realistic prospects of renewal. The municipality's borrowings as at 30 June 2022 are as follows: DBSA Loan-R834 315 (Short term portion-R10 800 000). The above loan was inherited from the 2005 demarcation process for the two local municipalities (Lekwa– Teemane and Mamusa Local Municipalities) for water and infrastructure projects

The municipality is able to meet its monthly repayment amount of R900 000 on the loan and there are no arrears on the loan. There are no other short-term borrowings except for normal credit terms to fund normal operations.

### 3. Financial support by debtors and creditors

All creditors are paid within a reasonable time except for the amount owed to Sedibeng Water board with a balance of R669 882 221 at the end of 30 June 2022. There is no indication from the water board of any intention to withdraw financial support to the municipality as the negotiations are underway.

The accounts receivable R153.6m is mainly from amounts payable by SARS on VAT outstanding, R87m of the VAT receivable is the VAT on amount owed to Sedibeng Water which will only be declared when payments are made. Even though there is a low debt recoverability rate there is no deliberate intention by debtors to withdraw financial support.

### 4. Operating cash flows

We have assessed the operating cash flows of the municipality for two financial periods ending 30 June 2022. The municipality showed a net positive cash flow of R297 405 343 and R110 076 784 for June 2022 and June 2021 financial years respectively. We also inspected the approved budget for 2022 financial year and it also shows a positive net cash flow. There are no negative operating cash flows indicated by historical and prospective financial information.

## 5. Key financial ratios

The current ratio shows that the municipality's current liabilities exceed its current assets. The ratios for the two years are below the treasury threshold of 1.5:1. However, 78.34% of the trade payables is made up of amounts owed to one supplier Sedibeng Water Board.

## B - Other operating events

### 1. Key Management turnover

Senior management positions have been on an acting capacity due to the dismissal of the Municipal Manager and suspension of the Chief Financial officer and Senior Manager Engineering as at 30 June 2022.

### 2. Legal proceedings

The municipality has contingent liabilities amounting to the value of R14 990 689 which could severely impact the municipality's cash inflows should the alleged actions become successful.

### 3. Grant funding

The municipality has an unfunded budget which may impact on its ability to receive equitable share timeously. However, the municipality also noted that in terms of the Division of Revenue Act (DORA), treasury has appropriated equitable shares that are increasing over the years. (There is no decline in grant funding for operations). There is also no indication from treasury to stop continued funding to the municipality.

## Notes to the Annual Financial Statements

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### 43. Going concern (continued)

#### Conclusion

Management after analyzing all the indicators on the going concern assumption as documented above conclude that there are material factors that may cast doubt on the municipality's ability to continue as a going concern.

### 44. Events after the reporting date

Senior Managers for the following departments were dismissed on the 24th of July 2022.

Corporate Services

Planning and development

Engineering Services

Internal Audit

### 45. Unauthorised expenditure

Opening balance as previously reported	902 451 045	550 338 740
Correction of prior period error	-	194 802 259
<b>Opening balance as restated</b>	<b>902 451 045</b>	<b>745 140 999</b>
Add: Expenditure identified - current	17 977 488	157 310 046
<b>Closing balance</b>	<b>920 428 533</b>	<b>902 451 045</b>

### 46. Fruitless and wasteful expenditure

Opening balance as previously reported	13 855 098	2 698 880
Correction of prior period error	-	10 961 343
<b>Opening balance as restated</b>	<b>13 855 098</b>	<b>13 660 223</b>
Add: Expenditure identified - current	2 023 062	88 100
Add: Expenditure identified - prior period	-	106 775
<b>Closing balance</b>	<b>15 878 160</b>	<b>13 855 098</b>

## Notes to the Annual Financial Statements

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### 46. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest charged by Eskom	No disciplinary action taken	386	465
Interest charged by Telkom	No disciplinary action taken	3 683	37 646
Interest charged by Auditor General	No disciplinary action taken	20	359
Interest charged by DBSA	No disciplinary action taken	14 902	36 342
Interest and Penalties - SARS	No disciplinary action taken	-	5 414
Instances of overpayments to suppliers	No disciplinary action taken	666 331	106 775
Penalty charged by SALGA	No disciplinary action taken	-	7 115
Interest charged by Icon Construction	No disciplinary action taken	-	760
Incidences of backpay to councillors when the positions were occupied	No disciplinary action taken	1 337 740	-
		<b>2 023 062</b>	<b>194 876</b>

### 47. Irregular expenditure

Opening balance as previously reported	1 474 103 505	1 357 418 150
Correction of prior period error	-	4 432 980
<b>Opening balance as restated</b>	<b>1 474 103 505</b>	<b>1 361 851 130</b>
Add: Irregular Expenditure - current	108 581 723	88 772 063
Add: Irregular Expenditure - prior period	-	23 480 312
<b>Closing balance</b>	<b>1 582 685 228</b>	<b>1 474 103 505</b>

Irregular expenditure figures disclosed for 2022 are inclusive of VAT.



## Notes to the Annual Financial Statements

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### 47. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Tax clearances not obtained/ not in order	No disciplinary action taken	29 500	1 115 728
Three quotations not submitted	No disciplinary action taken	-	624 655
Roster not applied in line with scm policy	No disciplinary action taken	17 591 609	20 208 952
The bid adjudication committee did not consist of at least 4 senior managers of the municipality.	No disciplinary action taken	85 067 191	72 651 859
SCM processes not resumed after expiry of contract	No disciplinary action taken	112 735	4 324 439
Goods procured without fully complying with local content	No disciplinary action taken	-	422 854
Non compliance with section 32-No benefits and discounts demonstrated in the contract	No disciplinary action taken	-	2 380 869
Supplier not registered with CIDB	No disciplinary action taken	-	1 575 000
Non compliance to PPR par 4(2) and MFMA s 65(2)(i)	No disciplinary action taken	5 780 688	8 948 019
		<b>108 581 723</b>	<b>112 252 375</b>

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to SALGA

Opening balance	795 154	972 463
Current year subscription / fee	1 756 104	1 582 665
Amount paid - current year	(1 744 492)	(1 759 974)
	<b>806 766</b>	<b>795 154</b>

## Notes to the Annual Financial Statements

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<b>48. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	202 162	57 124
Current year subscription / fee	8 499 573	8 104 095
Amount paid - current year	(8 694 318)	(7 959 417)
Amount paid - previous years	-	360
	<b>7 417</b>	<b>202 162</b>
<b>PAYE and UIF</b>		
Opening balance	2 457 239	2 539 867
Current year subscription / fee	35 655 120	29 506 094
Amount paid - current year	(38 107 591)	(29 588 722)
	<b>4 768</b>	<b>2 457 239</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	33 235 479	32 863 464
Amount paid - current year	(33 235 479)	(30 186 700)
	<b>-</b>	<b>2 676 764</b>
<b>VAT</b>		
VAT receivable	153 626 120	116 214 562

### 49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Appointment of repairs and maintenance service providers	3 574 132	172 721
Appointment of an advertising service provider	144 625	57 500
Appointment of cleaning and security services providers	699 585	195 270
Other deviations	117 592	315 411
Appointment of service provider for catering, travel and accommodation	159 779	97 450
Appointment of service provider for provision of ICT services	1 454 138	635 764
Appointment of service provider for supply, deliver & installation of water	1 494 000	1 811 250
Appointment of an infrastructure development service provider	1 728 273	-
Appointment of service provider for supply and delivery of computer hardware for municipal councillors	1 505 057	-
	<b>10 877 181</b>	<b>3 285 366</b>

### 50. Budget differences

#### Material differences between budget and actual amounts

The variances between the actual expenditure and the final budget which are above 10% of the budget are explained below;

**A1:** Other Income - Variance is due to LGSETA receipt that was budgeted under other income but for AFS it is sitting on government grants and subsidies.

## Notes to the Annual Financial Statements

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### 50. Budget differences (continued)

**A2:** Interest received - A positive variance due to more money in the investments accounts specifically resulting from RBIG high balance of unspent funds.

**A3:** Government grants & subsidies - The variance is due to unspent funds on RBIG and RAMS grants. The two grants still had unspent balances which were not yet transferred to revenue as at 30 June 2022.

**A4:** Other income from non exchange - The amount received from VBS of R10 500 000 was not budgeted for as it was previously written off by the Council even though the writeoff was not recognised by Auditor General.

**A5:** Employee related costs - The savings are due to funded vacant posts that were not advertised and get appointments although they were budgeted for.

**A6:** Remuneration of Councillors - Spent less than the budget as a result of Councillors' upper limits that were not paid in the current financial year.

**A7:** Depreciation and amortisation - variance due to fewer projects completed than budgeted as also evidence by a balance of unspent grants.

**A8:** Impairment loss - Impairment expenditure of R47 102 on movable assets these are unforeseen losses that were not budgeted for.

**A9:** Finance costs - Variance due to a slight decrease on the interest from employee benefit obligations as projected from the actuarial report compared to the previous financial year. Furthermore the DBSA loan was paid on time during the financial year resulting in interest not being incurred.

**A10:** Lease rentals on operating lease - The variance is due to lease expenses being budgeted under general expenditure where as on the financial statements leases are disclosed separately.

**A11:** Debt Impairment - Variance due to impairment on receivables from non exchange of R209 939 which was not budgeted for.

**A12:** Bulk purchases - The variance is due to other bulk purchases that are reclassified to contracted services for financial statements purposes where as for budgeting everything is under bulk purchases.

**A13:** Contracted services - Variance mostly due to bulk related expenditure to the amount of R177 144 597 which is included in contracted services for financial statements purposes however for budget purposes bulk purchases are budgeted and included under bulk purchases.

**A14:** Transfers and Subsidies - The savings on transfers and subsidies are mostly due to LED projects that were not implemented in the current year.

**A15:** General Expenses - Variance due to misallocation errors between contracted and general expenditure for budgeting purposes i.e. leases are included in general expenditure for budgeting purposes but for financial statement purposes these are disclosed separately.

**A16:** Fair value adjustments - This is a non cash movement on investment property that was not budgeted for.

**A17:** Actuarial losses - This is a non cash movement on employee benefit obligations as provided by the actuaries that was not budgeted for.

**A18:** Receivables from non-exchange transactions - The variance is due to VAT receivable being budgeted under receivable from non-exchange transactions.

**A19:** VAT Receivable- The variance is because VAT receivable was not budgeted for separately but is included as part of receivables from non-exchange transactions.

**A20:** Cash and cash equivalent- The variance is due to high unspent balance on RBIG as compared to no unspent funds which were budgeted for in 2022 financial year.

## Notes to the Annual Financial Statements

Figures in Rand

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### 50. Budget differences (continued)

**A21:** Investment property- The variance is due to the fact that the budget does not consider the fair value adjustments performed especially in the 2021 financial year an increase of R3 631 218 and a decrease in 2022 financial year of R22 500.

**A22:** Property, plant and equipment- The variance is due to under budgeting on property, plant and equipment.

**A23:** Intangible assets- The variance is because the budget was for anticipated additions whereas the AFS shows the balance for intangible assets not only current year movements.

**A24:** Payables from exchange transactions- The variance is due to the budget showing the anticipated movements for the current year whereas the AFS are showing the balance of all the payables from exchange.

**A25:** Payables from non exchange transactions- The variance is due to Mamusa MIG balance that was not included in the budgeted separately.

**A26:** Employee benefit obligation- The variance is due to the fact that employee benefit obligations were not budgeted for.

**A27:** Unspent conditional grants and receipts- The variance is due to the budget which does not account for unspent funds. The budget is prepared on the basis that all the funds received are fully spend.

**A28:** Provisions- The variance is due to changes on the leave days not taken into account on the budget.

**A29:** Other financial liabilities- The variance is due to the AFS showing the balance for DBSA loan whereas the budget is showing only the 12 months budgeted payments i.e., R900 000 a month for 12 months.

**A30:** Accumulated surplus-The variance is due to the budget accounting for the anticipated surplus in the current year only whereas the accumulated surplus on the AFS is a balance of all the previous years' surpluses.

# Notes to the Annual Financial Statements

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## 51. Segment information

### General information

#### Identification of segments

The municipality is and reports to management on the basis of the following major functional areas: Council, Office of the Municipal Manager, Budget and Treasury, Internal audit, Corporate Services, Planning and Economic Development, Engineering Services, Project Management Unit, Intergrated Development Planning, Environmental health and Fire and Disaster. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Segment surplus or deficit, assets and liabilities

#### Segment surplus or deficit

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Segment information (continued)

30 June 2022

	Investment revenue	Government grants & subsidies	Other Income	VBS Receipt	Total Segment revenue	Salaries and wages	Depreciation, amortisation & Impairment	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
<b>Revenue and expenses</b>										
Council	-	24 373 123	-	-	24 373 123	23 962 255	-	2 523 031	26 485 286	(2 112 163)
Office of the Municipal Manager	-	15 443 476	-	-	15 443 476	10 169 147	-	2 852 770	13 021 917	2 421 559
Budget and Treasury	9 506 278	52 208 274	305 148	10 500 000	72 519 700	17 414 200	-	46 061 799	63 475 999	9 043 701
Internal audit	-	18 228 301	-	-	18 228 301	14 279 135	-	2 989 795	17 268 930	959 371
Corporate Services	-	55 543 035	1 249 338	-	56 792 373	22 701 186	2 086 541	46 401 695	71 189 422	(14 397 049)
Local Economic Development	-	22 292 741	-	-	22 292 741	12 730 723	2 271 477	5 115 013	20 117 213	2 175 528
Engineering Services	-	589 132 444	-	-	589 132 444	11 952 028	82 799 230	280 651 466	375 402 724	213 729 720
Integrated Development Planning	-	11 618 699	-	-	11 618 699	6 627 072	113 735	6 310 627	13 051 434	(1 432 735)
Environmental health	-	17 901 608	-	-	17 901 608	19 018 896	1 563 058	1 001 089	21 583 043	(3 681 435)
Fire and Disaster	-	35 122 770	-	-	35 122 770	31 378 802	47 102	3 707 440	35 133 344	(10 574)
<b>Total</b>	<b>9 506 278</b>	<b>841 864 471</b>	<b>1 554 486</b>	<b>10 500 000</b>	<b>863 425 235</b>	<b>170 233 444</b>	<b>88 881 143</b>	<b>397 614 725</b>	<b>656 729 312</b>	<b>206 695 923</b>
<b>Entity's revenue</b>					<b>863 425 235</b>					
<b>Entity's Surplus (deficit) for the period</b>										<b>206 695 923</b>

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Segment information (continued)

#### Segment assets and liabilities

30 June 2022

	VAT and receivables from non exchange	Cash and cash equivalents	Property, plant and equipment	Other assets	Total segment liabilities
Council	-	-	1 523 000	-	-
Office of the Municipal Manager	-	-	459 785	-	-
Budget and Treasury	37 534 286	187 328 561	(73 082 379)	1 669 139	(328 729 703)
Internal audit	-	-	1 116 330	-	-
Corporate Services	-	-	1 478 019	-	41 962 535
Local Economic Development	-	-	29 150	-	-
Engineering Services	-	-	345 917 305	-	(11 314 686)
Integrated Development Planning	-	-	85 350	-	-
Environmental health	-	-	421 041	-	-
Fire and Disaster	-	-	298 195	-	-
<b>Total segment assets and liabilities</b>	<b>37 534 286</b>	<b>187 328 561</b>	<b>278 245 796</b>	<b>1 669 139</b>	<b>(298 081 854)</b>
					-